

PROSPECTUS SUPPLEMENT

<http://www.tbible.com> (Prospectus Supplement dated October 8, 1997)

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered hereunder have not been and will not be qualified for sale under the securities laws of Canada and, subject to certain exceptions, may not be offered or sold in Canada.



**U.S. \$300,000,000
TALISMAN**

E N E R G Y

7¼% Debentures due October 15, 2027

Interest on the Debentures is payable on **April 15 and October 15** of each year, commencing **April 15, 1998**. The Debentures will be **redeemable, in whole or in part, at the option of Talisman Energy Inc.** ("Talisman" or the "Corporation"), at any time at a redemption price equal to the greater of (i) 100% of their principal amount and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined herein) plus 12.5 basis points plus, in each case, accrued interest thereon to the redemption date. See "Description of the Debentures — Optional Redemption".

The Debentures will be represented by one or more Global Debentures registered in the name of a nominee of The Depository Trust Company, as Depository. Beneficial interests in the Global Debentures will be shown on, and transfers thereof will be effected only through, records maintained by the Depository and its participants. Except as provided in the accompanying Prospectus, Debentures in definitive form will not be issued.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this Prospectus Supplement and accompanying Prospectus in accordance with the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those in the United States. The consolidated financial statements of the Corporation included or incorporated herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the Debentures may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. See "Certain Income Tax Considerations".

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that Talisman is incorporated or organized under the laws of Canada, that some or all of its officers and directors may be residents of Canada, that some or all of the Underwriters or experts named in the registration statement may be residents of Canada and that all or a substantial portion of the assets of Talisman and said persons may be located outside the United States.

	Price to Public ⁽¹⁾	Underwriting Discount ⁽²⁾	Proceeds to the Corporation ⁽¹⁾⁽³⁾
	99.313%	0.875%	98.438%
Total	U.S. \$297,939,000	U.S. \$2,625,000	U.S. \$295,314,000

- (1) Plus accrued interest, if any, from **October 21, 1997**.
- (2) The Corporation has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the United States Securities Act of 1933, as amended.
- (3) Before deducting estimated expenses of U.S. \$500,000, payable by the Corporation.

The Debentures are offered severally by the Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Debentures will be made in book-entry form only through the facilities of The Depository Trust Company on or about October 21, 1997.

Merrill Lynch & Co.

Salomon Brothers Inc

UBS Securities

The date of this Prospectus Supplement is October 16, 1997.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE DEBENTURES. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, MAY BID FOR, AND PURCHASE, THE DEBENTURES IN THE OPEN MARKET AND MAY IMPOSE PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING".

In this Prospectus Supplement, unless the context otherwise requires, a reference to the "Corporation" or "Talisman" refers to Talisman Energy Inc. and its subsidiaries on a consolidated basis.

All dollar amounts set forth in this Prospectus Supplement are in Canadian dollars, except where otherwise indicated.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference into the accompanying prospectus of Talisman Energy Inc. dated October 8, 1997 (the "Prospectus"), solely for the purposes of the offering of the Debentures offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars.

Any statement contained in the Prospectus, in this Prospectus Supplement or in a document incorporated or deemed to be incorporated by reference into the Prospectus for the purpose of the offering of the Debentures offered hereunder shall be deemed to be modified or superseded, for the purposes of this Prospectus Supplement, to the extent that a statement contained in this Prospectus Supplement or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus Supplement.

EXCHANGE RATE INFORMATION

The Corporation reports its consolidated financial statements in Canadian dollars.

The following table sets forth certain exchange rates based on the noon buying rate in New York City for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate"). Such rates are set forth as U.S. dollars per Cdn. \$1.00 and are the inverse of rates quoted by the Federal Reserve Bank of New York for Canadian dollars per U.S. \$1.00. On October 16, 1997, the inverse of the noon buying rate was U.S. \$0.7210 per Cdn. \$1.00.

	Year Ended December 31					Six Months Ended June 30	
	1992	1993	1994	1995	1996	1996	1997
High	0.8757	0.8046	0.7631	0.7527	0.7513	0.7391	0.7487
Low	0.7761	0.7439	0.7103	0.7023	0.7235	0.7235	0.7145
Average ⁽¹⁾	0.8235	0.7729	0.7300	0.7305	0.7329	0.7310	0.7267
Period End	0.7865	0.7544	0.7128	0.7323	0.7301	0.7322	0.7241

(1) The average of the exchange rates on the last day of each month during the applicable period.

THE CORPORATION

Talisman is an independent, Canadian-based, international upstream oil and gas company whose main business activities include exploration, development, production and marketing of crude oil, natural gas and natural gas liquids. The Corporation's production comes from Canada, the North Sea and Indonesia. Talisman is active in a number of international exploration areas, including Algeria, Trinidad and Peru.

Talisman is continually investigating strategic acquisitions and other business opportunities, some of which may be material. In connection with any such transaction, the Corporation may incur debt or issue equity.

Talisman's common shares are listed on the Toronto, Montreal, Vancouver and New York stock exchanges. Talisman is incorporated under the *Canada Business Corporations Act*. The Corporation's registered and principal office is located at Suite 2400, 855 - 2nd Street S.W., Calgary, Alberta T2P 4J9.

USE OF PROCEEDS

The estimated net proceeds to be received by Talisman from the sale of the Debentures offered hereunder are U.S. \$294,814,000 after deduction of the expenses of issue. These net proceeds will be used by the Corporation to finance the Corporation's capital expenditure program, to fund working capital requirements, and to repay existing debt.

PRO FORMA INTEREST AND ASSET COVERAGE

The interest and asset coverage ratios set out below have been prepared and included in this Prospectus Supplement in accordance with Canadian disclosure requirements and Canadian Generally Accepted Accounting Principles.

For further information regarding interest and asset coverage, reference is made to "Interest and Asset Coverage" in the Prospectus.

The following interest and asset coverages are calculated on a consolidated basis as at December 31, 1996 and June 30, 1997 (in the case of asset coverage), and for the twelve-month periods then ended (in the case of interest coverage). In each case the ratios are adjusted to give effect to the issue of the Debentures and the application of the net proceeds as described under "Use of Proceeds".

	<u>December 31, 1996</u>	<u>June 30, 1997</u>
Interest Coverage (times):		
Income ⁽¹⁾	3.37	3.49
Cash Flow ⁽²⁾	9.20	10.87
Asset coverage (times):		
Before deduction of deferred income taxes and deferred credits ⁽³⁾	3.75	3.80
After deduction of deferred income taxes and deferred credits ⁽⁴⁾ ..	3.29	3.27

(1) Net income plus income taxes and interest expense; divided by interest expense and capitalized interest.

(2) Cash flow plus current income taxes and interest expense; divided by interest expense and capitalized interest.

(3) Total assets minus current liabilities; divided by long term debt.

(4) Total assets minus current liabilities and long term liabilities excluding long term debt; divided by long term debt.

The foregoing coverages do not give effect to Talisman's proposed acquisition of Pembina Resources Limited ("Pembina") referred to under "Recent Developments" in the accompanying Prospectus. The coverage ratios as at June 30, 1997 and for the twelve month period then ended, after giving effect solely to the issue of the Debentures and the application of the net proceeds as described under "Use of Proceeds" and an aggregate increase of approximately \$630 million in both Talisman's debt and total assets as a result of the proposed acquisition and additional interest expense on the incremental debt, are 2.65 and 8.26 times for income and cash flow interest coverage, respectively, and 2.66 times for asset coverage before deduction of deferred income taxes and deferred credits and 2.34 times after deduction of deferred income taxes and deferred credits. The approximately \$630 million increase in Talisman's debt and total assets is based on a purchase price of \$501 million for the shares of Pembina and the repayment by Talisman of Pembina's outstanding long term debt which, by the time of completion of the acquisition, is expected to have increased to approximately \$129 million primarily as a result of the repayment by Pembina of current liabilities. In calculating these ratios, no adjustments have been made to reflect Pembina's operating results. Additional interest expense associated with the increased debt has been calculated using an interest rate of 4%, consistent with Talisman's effective Canadian Bankers' Acceptance borrowing rate prevailing on the date of calculation.

DESCRIPTION OF THE DEBENTURES

The following description of the terms of the Debentures supplements the description set forth in the accompanying Prospectus and should be read in conjunction with "Description of Debt Securities" in such Prospectus. In addition, such description is qualified in its entirety by reference to the Trust Indenture under which the Debentures are to be issued, referred to in such Prospectus.

General

The Debentures will bear interest at the rate of 7¼% per annum and will mature on October 15, 2027. Principal and semi-annual interest (payable on April 15 and October 15 to the registered holders on the preceding April 1 and October 1) on the Debentures will be payable in U.S. dollars in immediately available funds at the office of Montreal Trust Company of Canada in the City of Calgary. The initial interest payment will be payable on April 15, 1998 in the amount of U.S. \$35.04 for each U.S. \$1,000 principal amount. Interest on the Debentures shall be computed on the basis of a **360-day year of twelve 30-day months.**

Optional Redemption

The Debentures will be redeemable, in whole or in part, at the option of the Corporation, at any time at a redemption price equal to the greater of (i) 100% of their principal amount and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 12.5 basis points, plus in each case accrued interest to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the U.S. Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Debentures to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Debentures.

"Independent Investment Banker" means one of the Reference Dealers selected by the Corporation.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Corporation is unable to obtain three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Reference Treasury Dealer Quotations" means with respect to each Reference Dealer and any redemption date, the average, as determined by the Corporation, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Corporation by such Reference Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Reference Dealer" means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Brothers Inc and UBS Securities LLC and their respective successors; provided, however, that if any of the foregoing Reference Dealers shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Corporation shall substitute therefor another Primary Treasury Dealer.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of the Debentures to be redeemed.

Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Debentures or portions thereof called for redemption.

The Debentures will not be entitled to the benefit of a sinking fund.

Purchase of Debentures

Talisman may, from time to time, purchase Debentures in the market (which shall include purchase from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or private contract, at any price. Debentures so purchased will be cancelled and will not be reissued.

Defeasance

The provisions of the Trust Indenture relating to satisfaction and discharge of the Debentures described under the caption "Description of Debt Securities — Satisfaction and Discharge" in the Prospectus will apply to the Debentures.

Book-Entry System

The Debentures will be represented by one or more Global Debentures (collectively, the "Global Debenture") registered in the name of a nominee of The Depository Trust Company, as Depository. The provisions set forth under "Description of Debt Securities — Form, Denomination, Exchange and Transfer" in the Prospectus will be applicable to the Debentures. Accordingly, beneficial interests in the Debentures will be shown on, and transfers thereof will be effected only through, records maintained by the Depository and its participants. Except as described under "Description of Debt Securities — Form, Denomination, Exchange and Transfer" in the Prospectus, owners of beneficial interests in the Global Debenture will not be entitled to receive Debentures in definitive form and will not be considered holders of Debentures.

Upon the issuance of a Global Debenture, the Depository will credit, on its book-entry registration and transfer system, the respective principal amounts of the Debentures represented by such Global Debenture to the accounts of institutions that have accounts with the Depository or its nominee ("Participants"). The accounts to be credited will be designated by the Underwriters. Ownership of beneficial interests in a Global Debenture will be limited to Participants or persons that may hold interests through Participants. Ownership of interests in such Global Debenture will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by the Depository (with respect to Participants' interests) and such Participants (with respect to the owners of beneficial interests in such Global Debenture). The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Global Debenture.

The Depository has advised the Corporation and the Underwriters as follows: the Depository is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Depository holds securities that its Participants deposit with the Depository. The Depository also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in such Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers (including the Underwriters), banks, trust companies, clearing corporations, and certain other organizations. The Depository is owned by a number of its Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers Inc. Access to the Depository's book-entry system is also available to others such as securities brokers and dealers, banks, and trust companies that clear

through or maintain a custodial relationship with a Participant, either directly or indirectly. The Rules applicable to the Depository and its Participants are on file with the Securities and Exchange Commission.

Principal and interest payments on the Debentures registered in the name of the Depository's nominee will be made in immediately available funds to the Depository's nominee as the registered owner of the Global Debenture. Under the terms of the Trust Indenture, the Corporation and the Trustee will treat the persons in whose names the Debentures are registered as the owners of such Debentures for the purpose of receiving payment of principal and interest on such Debentures and for all other purposes whatsoever. Therefore, neither the Corporation, the Trustee nor any paying agent has any direct responsibility or liability for the payment of principal or interest on the Debentures to owners of beneficial interests in the Global Debenture. The Depository has advised the Corporation and the Trustee that its current practice is, upon receipt of any payment of principal or interest, to credit Participants' accounts on the payment date in accordance with their respective holdings of beneficial interests in the Global Debenture as shown on the Depository's records, unless the Depository has reason to believe that it will not receive payment on the payment date. Payments by Participants to owners of beneficial interests in the Global Debenture will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants and not of the Depository, the Trustee, or the Corporation, subject to any statutory requirements as may be in effect from time to time. Payment of principal and interest to the Depository is the responsibility of the Corporation or the Trustee, disbursement of such payments to Participants shall be the responsibility of the Depository, and disbursement of such payments to the owners of beneficial interests in the Global Debenture shall be the responsibility of Participants.

If the Global Debenture is exchanged for Debentures in definitive form in the limited circumstances described in the Trust Indenture, the principal of the Debentures and interest thereon shall be payable at the office in The City of New York of the Trustee or its agent.

The Corporation understands that, under existing industry practice, if the Corporation were to request any action by the holders of Debentures, or if an owner of a beneficial interest in the Global Debenture were to desire to take any action that the Depository, as the registered owner of the Global Debenture, is entitled to take, the Depository would authorize Participants to take such action, and that Participants would in turn authorize beneficial owners owning through them to take such action or would otherwise act upon the instructions of such beneficial owners.

CERTAIN INCOME TAX CONSIDERATIONS

United States

In the opinion of Bogle & Gates P.L.L.C., the following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of a Debenture by an initial purchaser thereof who is a U.S. Holder (as defined below) and who will hold the Debentures as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code, as amended (the "Code"). This summary is intended for general information only and does not address all potentially relevant federal income tax matters. This summary also does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences.

This summary is based on laws, regulations, rulings and decisions in effect on the date hereof, all of which are subject to change (possibly with retroactive effect) and differing interpretations, so as to result in federal income tax consequences different from those described herein. There can be no assurance that the Internal Revenue Service ("IRS") will take a similar view as to any of the tax consequences described herein. No ruling has been or will be requested from the IRS on any tax matters discussed herein. **PROSPECTIVE PURCHASERS OF DEBENTURES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF U.S. FEDERAL INCOME TAX LAW, AS WELL AS THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION, TO THEIR PARTICULAR SITUATIONS.**

Subject to the following sentence, as used herein the term “U.S. Holder” means an individual citizen or resident of the United States; a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof; or an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source. This summary does not address the tax consequences to, and “U.S. Holder” does not include, persons subject to specific provisions of federal income tax law including, without limitation, financial institutions, tax-exempt organizations, insurance companies, regulated investment companies, holders subject to the alternative minimum tax, dealers in securities or *foreign currencies*, holders holding Debentures as a hedge against currency risks or as part of a straddle with other investments or as part of a “conversion transaction” within the meaning of Section 1258 of the Code, holders of 10% or more of the voting shares of the Corporation, nonresident aliens, foreign entities and holders with a functional currency other than the U.S. dollar. In addition, this summary does not address tax consequences applicable to subsequent purchasers of debentures.

For U.S. federal income tax purposes interest on a Debenture generally will be taxable to a U.S. Holder as ordinary income at the time received or accrued, in accordance with such holder’s method of accounting for such tax purposes. Interest paid by the Corporation generally will constitute foreign source income and will be “passive” or “financial services” income, depending on the U.S. Holder’s circumstances, which is treated separately from other types of income, for U.S. foreign tax credit purposes.

A Debenture will generally have original issue discount (“OID”) if it is issued at a price which is less than its stated redemption price at maturity by more than a specified *de minimis* amount. The OID is equal to the difference between the stated redemption price and the issue price. The OID must be reported in income by a U.S. Holder as it accrues, even if no interest payments are received by the holder. A Debenture’s stated redemption price at maturity is generally the sum of all payments provided by the Debenture other than interest. The issue price is generally the amount of cash paid for the Debenture.

If a U.S. Holder purchases a Debenture in the initial offering and immediately after the purchase its adjusted basis for the Debenture exceeds the sum of all amounts, other than qualified stated interest, payable on the instrument after the purchase date, the Debenture has “bond premium.” A U.S. Holder may elect to amortize such bond premium over the remaining term of such Debenture (or, in certain circumstances, until an earlier redemption or repurchase date). If the bond premium is amortized, the amount of interest that must be included in the U.S. Holder’s income for each period ending on an interest payment date or at stated maturity, as the case may be, will be reduced by the portion of the premium allocable to such period. If such an election to amortize bond premium is not made, a U.S. Holder must include the full amount of each interest payment in income in accordance with its regular method of accounting and the premium will decrease the gain or increase the loss otherwise recognized upon the sale or other disposition or payment of the principal amount of the Debenture.

Upon the sale, exchange, retirement or redemption of a Debenture, a U.S. Holder will recognize gain or loss, if any, for U.S. federal income tax purposes equal to the difference between the amount realized on such sale, exchange, retirement or redemption (other than amounts received that are attributable to accrued interest not previously included in income, which amount will be taxable as ordinary income) and such U.S. Holder’s adjusted tax basis in the Debenture. Such gain or loss generally will constitute capital gain or loss, and will be long-term capital gain or loss if the Debenture was held by such U.S. Holder for more than one year. Lower long-term capital gain tax rates will apply if the U.S. Holder is an individual, estate or trust and such U.S. Holder has held such Debenture for longer than eighteen months.

Any withholding tax imposed by Canada on interest payments with respect to the Debentures will be treated as a foreign tax entitling the U.S. Holder, upon election, to a credit against its U.S. federal income tax liability, subject to limitations and conditions with respect to foreign tax credits set forth in the Code. Alternatively, a U.S. Holder may deduct for such taxes in computing its U.S. federal taxable income. The calculation and availability of a tax credit or a deduction for Canadian taxes involve the application of complex rules that depend upon the U.S. Holder’s particular circumstances. U.S. Holders should consult their own tax advisors with respect to the availability and calculation of such credit or deduction.

Backup withholding of U.S. federal income tax at the rate of 31% may be required in respect of principal and interest paid to certain U.S. Holders of Debentures who fail to supply an accurate taxpayer identification number or fail to establish that they are exempt recipients such as corporations, financial institutions or foreign persons who comply with certain certification requirements, or if the Secretary of the Treasury determines that the holder has not reported all interest and dividend income required to be shown on its federal income tax return.

Canada

In the opinion of Macleod Dixon, based on the *Income Tax Act* (Canada) (the "Tax Act") and the current published administrative practices of Revenue Canada, the payment by the Corporation of interest, principal or premium on the Debentures to a purchaser of Debentures pursuant to this Prospectus Supplement who is a non-resident of Canada and with whom the Corporation deals at arm's length within the meaning of the Tax Act at the time of making the payment will be exempt from Canadian withholding tax. For the purposes of the Tax Act, related persons (as therein defined) are deemed not to deal at arm's length and it is a question of fact whether persons not related to each other deal at arm's length.

Except for special rules that apply to a non-resident insurer who is carrying on an insurance business in Canada, no other tax on income (including taxable capital gains) will be payable under the Tax Act in respect of the holding, redemption or disposition of the Debentures or the receipt of interest or premium thereon by holders who are neither residents nor deemed to be residents of Canada for the purposes of the Tax Act and who do not use or hold and are not deemed to use or hold the Debentures in carrying on business in Canada for the purposes of the Tax Act.

This summary is of a general nature only and does not take into account tax legislation or considerations of any province or territory of Canada or of any non-Canadian jurisdiction. Accordingly, purchasers of the Debentures should consult their own tax advisors with respect to their particular circumstances.

CREDIT RATINGS

The Debentures have been assigned a rating of Baa by Moody's Investors Service, Inc. ("Moody's") and a rating of BBB+ by Standard & Poor's Corporation ("S&P") (each a "Rating Agency"). Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Ratings for debt instruments range from Aaa in the case of Moody's, or AAA in the case of S&P, which represent the highest quality of securities rated, to C in the case of Moody's, or D in the case of S&P, which represent the lowest quality of securities rated.

According to the Moody's rating system, debt securities rated Baa are considered as medium-grade obligations (i.e., they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such debt securities lack outstanding investment characteristics and in fact have speculative characteristics as well. The modifier 1 indicates that a security ranks in the higher end of its generic rating category.

According to the S&P rating system, debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories. A debt rating modified by a plus sign (+) shows a relatively higher standing within the major rating category.

The credit ratings accorded to Talisman's unsecured debt securities by the Rating Agencies are not recommendations to purchase, hold or sell Talisman's unsecured debt securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if in its judgment circumstances so warrant.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement dated October 16, 1997 (the "Underwriting Agreement"), the Company has agreed to sell to each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Brothers Inc and UBS Securities LLC (the "Underwriters") and each of the Underwriters has severally agreed to purchase the principal amount of the Debentures set forth opposite its name below. In the Underwriting Agreement, the several Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all the Debentures offered hereby if any of the Debentures are purchased. In the event of default by an Underwriter, the Underwriting Agreement provides that, in certain circumstances, purchase commitments of the nondefaulting Underwriters may be increased or the Underwriting Agreement may be terminated.

<u>Underwriters</u>	<u>Principal Amount of Debentures</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S. \$100,000,000
Salomon Brothers Inc	100,000,000
UBS Securities LLC.....	100,000,000
Total	U.S. \$300,000,000

The Underwriters have advised the Corporation that they propose initially to offer the Debentures to the public at the public offering price set forth on the cover page of this Prospectus Supplement and to certain dealers at such price less a concession not to exceed 0.5% of the principal amount of the Debentures. The Underwriters may allow, and such dealers may reallow, a concession not in excess of 0.25% of the principal amount of the Debentures to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The Corporation has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the United States Securities Act of 1933, as amended.

The Debentures are a new issue of securities with no established trading market. The Debentures will not be listed on any securities exchange. The Corporation has been advised by the Underwriters that the Underwriters presently intend to make a market in the Debentures, but are not obligated to do so and may discontinue market making at any time without notice. Accordingly, no assurance can be given as to the liquidity of, or the trading markets for, the Debentures.

In the ordinary course of their respective businesses, certain of the Underwriters and/or their affiliates engage and may in the future engage in commercial banking and investment banking transactions with the Corporation and affiliates of the Corporation.

In connection with the sale of the Debentures, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Debentures. Specifically, the Underwriters may overallocate the offering, creating a syndicate short position. In addition, the Underwriters may bid for, and purchase, the Debentures in the open market to cover syndicate short positions or to stabilize the price of the Debentures, and in connection therewith impose a penalty bid on certain Underwriters. This means that if the Underwriters purchase Debentures in the open market to reduce any short position or to stabilize the price of the Debentures, they may reclaim the amount of the selling concession from the Underwriter or Underwriters who sold those Debentures as part of the offering. Any of these activities may stabilize or maintain the market price of the Debentures above independent market levels. The Underwriters will not be required to engage in these activities, and may end any of these activities at any time.

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This short form prospectus has been filed under procedures in Alberta which permit certain information with respect to these securities to be determined after the prospectus has become final and permit the omission from this short form prospectus of such information. Such procedures require the delivery to purchasers of a prospectus or a prospectus supplement containing this omitted information within a specified period after agreeing to purchase any of these securities. Information has been incorporated by reference in this prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Talisman Energy Inc. at 2400, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4J9 (telephone (403) 237-1234). A copy of the permanent information record may be obtained from the Corporate Secretary of Talisman Energy Inc. at the above mentioned address and telephone number.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or any similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered hereunder have not been and will not be qualified for sale under the securities laws of Canada and, subject to certain exceptions, may not be offered or sold in Canada.

TALISMAN

E N E R G Y

U.S.\$300,000,000

Debt Securities (unsecured)

Debt securities (the "Debt Securities") of Talisman Energy Inc. ("Talisman" or the "Corporation") may be offered hereunder in one or more series in aggregate principal amount of up to U.S. \$300,000,000 (or the equivalent in other currencies or currency units), or if any Debt Securities are offered at an original issue discount, such greater amount as shall result in an aggregate offering price of up to U.S. \$300,000,000. Debt Securities of any series may be offered in such amount and with such terms as may be determined in light of market conditions. The specific designation, aggregate principal amount, denomination (which may be in United States dollars or in any other currency), maturity, rate (which may be fixed or variable) and time of payment of interest, if any, any terms for redemption at the option of the Corporation or the holders, any terms for sinking fund payments, any listing on a securities exchange, the initial public offering price (or the manner of determination thereof if offered on a non-fixed price basis) and any other terms in connection with the offering and sale of each series of Debt Securities in respect of which this Prospectus is being delivered (the "Offered Securities") will be set forth in a Supplement to this Prospectus relating thereto (the "Prospectus Supplement").

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this Prospectus in accordance with the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those in the United States. The consolidated financial statements of the Corporation included or incorporated herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the Debentures may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein or in any applicable Prospectus Supplement.

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that Talisman is incorporated or organized under the laws of Canada, that some or all of its officers and directors may be residents of Canada, that some or all of the Underwriters or experts named in the registration statement may be residents of Canada and that all or a substantial portion of the assets of Talisman and said persons may be located outside the United States.

The Corporation may sell Debt Securities to or through underwriters or dealers or directly to investors or through agents. The Prospectus Supplement relating to each series of Offered Securities will identify each person who may be deemed to be an underwriter with respect to such series and will set forth the terms of the offering of such series, including, to the extent applicable, the initial public offering price, the proceeds to the Corporation, the underwriting discounts or commissions, and any other discounts or concessions to be allowed or reallocated to dealers. The managing underwriter or underwriters with respect to each series sold to or through underwriters will be named in the related Prospectus Supplement. Unless otherwise specified in any applicable Prospectus Supplement, Debt Securities will not be listed on any national securities exchange.

The date of this Prospectus is October 8, 1997.

In this Prospectus, unless the context otherwise indicates, references to "Talisman" or the "Corporation" refer to Talisman Energy Inc. and its subsidiaries.

All dollar amounts set forth in this Prospectus are in Canadian dollars, except where otherwise indicated.

SPECIAL NOTE CONCERNING FORWARD-LOOKING INFORMATION

Certain statements in this Prospectus, the documents incorporated by reference herein and in any supplement hereto are "forward-looking statements" within the meaning of the United States *Private Securities Reform Act* of 1995. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimated" or "intends", or stating that certain actions, events or results "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Such statements are included, among other places, in this Prospectus in the "Recent Developments" section under the headings "Capital Expenditures" and "Acquisition of Pembina Resources Limited," in Talisman's Annual Information Form under the headings "General Development and Description of the Business," in the Management's Discussion and Analysis section of Talisman's Annual Report for the year ended December 31, 1996 under the headings "Introduction," "Daily Production Volumes," "North Sea," "Indonesia" "Property, Plant and Equipment," "Capital Expenditures," "Liquidity and Capital Resources," and "Outlook," and in the Material Change Report dated October 8, 1997 concerning Talisman's proposed acquisition of Pembina Resources Limited. Statements concerning oil and gas reserves contained in the Annual Information Form under "Detailed Description of Business — Reserves" and in the Material Change Report dated October 8, 1997, 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. Forward-looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those anticipated by the Corporation. These include, but are not limited to, the risks of the oil and gas industry (for example, operational risks of exploring for, developing and producing crude oil and natural gas, risks and uncertainties involving geology of oil and gas deposits, the uncertainty of reserve estimates and estimates relating to production volumes, cost and expense projections, potential cost overruns and health, safety and environmental risks), risks in conducting foreign operations (for example, political stability), fluctuations in oil and gas prices and exchange rates, and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Additional information concerning these and other factors which could affect the Corporation's operations or financial results are included in the Management's Discussion and Analysis section of Talisman's Annual Report under the headings "Risks and Uncertainties" and "Outlook" and elsewhere in the documents incorporated by reference herein.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the Alberta Securities Commission, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

1. Annual Information Form of the Corporation dated March 5, 1997 (which incorporates Management's Discussion and Analysis contained on pages 30 to 40, inclusive, of the Corporation's 1996 Annual Report);
2. comparative audited consolidated financial statements of the Corporation, including the notes thereto, for the year ended December 31, 1996, together with the auditors' report thereon, contained on pages 44 to 59, inclusive, of the Corporation's 1996 Annual Report;
3. comparative unaudited consolidated interim financial statements of the Corporation for the three months ended March 31, 1997;

4. comparative unaudited consolidated interim financial statements of the Corporation for the three months and six months ended June 30, 1997;
5. Management Proxy Circular dated March 5, 1997 relating to the Annual and Special Meeting of Shareholders held on May 7, 1997, excluding those portions thereof which appear under the headings "Management Succession and Compensation Committee Report" and "Performance Graph"; and
6. Material Change Reports of the Corporation dated February 21, 1997, April 18, 1997, and October 8, 1997.

Any documents of the Corporation of the type referred to above filed by Talisman with the Alberta Securities Commission after the date of this Prospectus and prior to the termination of the offering under any Prospectus Supplement shall be deemed to be incorporated by reference into this Prospectus. Any document filed by Talisman with the Securities and Exchange Commission (the "Commission"), under the United States *Securities Exchange Act of 1934*, as amended (the "Exchange Act"), after the date of this Prospectus shall be deemed to be incorporated by reference into this Prospectus if, and to the extent, expressly provided therein.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded shall not constitute or be deemed to constitute a part of this Prospectus, except as so modified or superseded.

Upon a new Annual Information Form and the related annual financial statements being filed by Talisman with, and where required, accepted by, the Alberta Securities Commission during the currency of this Prospectus, the previous Annual Information Form, the previous audited consolidated annual financial statements and all unaudited consolidated interim financial statements, material change reports and information circulars filed prior to the commencement of the then current fiscal year shall be deemed no longer to be incorporated into this Prospectus for the purposes of future offers and sales of Debt Securities hereunder.

A Prospectus Supplement or Supplements containing the specific terms of an offering of Debt Securities will be delivered to purchasers of such Debt Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of the Prospectus Supplement solely for the purposes of the offering of the Debt Securities covered by that Prospectus Supplement.

Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents) may be obtained on request without charge from the Corporation, Suite 2400, 855 - 2nd Street S.W., Calgary, Alberta, Canada T2P 4J9, Attention: Vice-President Legal and Corporate Projects and Corporate Secretary, telephone number (403) 237-1234.

AVAILABLE INFORMATION

The Corporation has filed with the Commission, under the United States *Securities Act of 1933*, as amended (the "Securities Act"), a registration statement on Form F-9 (herein referred to, together with all amendments and exhibits thereto, as the "Registration Statement") relating to the Debt Securities and of which this Prospectus is a part. This Prospectus does not contain all the information set forth in the Registration Statement, to which reference is made for further information.

Talisman is subject to the information requirements of the *Exchange Act* and, in accordance therewith, files reports and other information with the Commission. Under a multijurisdictional disclosure system adopted by the United States, such reports and other information may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. Such reports and other information concerning the Corporation may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following regional offices of the Commission: Northwestern Atrium Center, 500 West

Madison Street, Suite 1400, Chicago, Illinois 60661; and 7 World Trade Center, 13th Floor, New York, New York 10048. Copies of such material may be obtained by mail from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549, at prescribed rates. The Common Shares of the Company are expected to be listed on the New York Stock Exchange on or about October 16, 1997 and reports and other information concerning the Company can be inspected after that date at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

THE CORPORATION

Talisman is an independent, Canadian-based, international upstream oil and gas company whose main business activities include exploration, development, production and marketing of crude oil, natural gas and natural gas liquids. The Company's production comes from Canada, the North Sea and Indonesia. Talisman is also active in a number of international exploration areas, including Algeria, Trinidad and Peru.

Talisman is continually investigating strategic acquisitions and other business opportunities, some of which may be material. In connection with any such transaction, the Corporation may incur debt or issue equity.

Talisman ("TLM") is listed on the Toronto, Montreal and Vancouver stock exchanges and expects to be listed on the New York Stock Exchange on or about October 16, 1997. Talisman is incorporated under the Canada Business Corporations Act. The Corporation's registered and principal office is located at Suite 2400, 855 — 2nd Street S.W., Calgary, Alberta T2P 4J9.

RECENT DEVELOPMENTS

Second Quarter Results

On August 6, 1997, Talisman announced its financial and operating results for the six month period ended June 30, 1997. Cash flow was \$380.8 million in this period compared to \$319.1 million for the same period in 1996, while net income was \$50.5 million, up from \$50.1 million for the same period in 1996.

Talisman's oil and liquids production averaged 122,636 barrels per day (bbls/d) in the six months ended June 30, 1997, an increase of 29% from the 95,201 bbls/d produced in the same period of 1996. Canadian oil and liquids production in the first half of 1997 increased 10% from the same period in 1996 as a result of continued drilling success at Carlyle and Chauvin. North Sea oil and liquids production in the six months ended June 30, 1997 increased 49% over the same period last year as a result of new production from the Beatrice, Buchan and Clyde fields acquired in December 1996. In the first half of 1997 Indonesian production was 35% higher than in the same period last year, primarily as a result of increased volumes from the Ogan Komerang Block.

Natural gas production averaged 639 million cubic feet per day (mmcf/d), down 3% from 661 mmcf/d in the first six months of 1996. Domestic gas production from January to June 1997 was 5% below the prior year as a result of planned gas plant turnarounds and continued poor performance from non-operated gas properties. North Sea gas volumes were relatively unchanged.

Talisman's realized oil price averaged \$24.87 per barrel (bbl) for the six months ended June 30, 1997 compared to \$24.11/bbl in the same period in 1996. The Corporation's realized gas price in the first half of 1997 was \$2.30 per thousand cubic feet (mcf) versus \$1.86/mcf in 1996.

Unit operating expenses for the six months ended June 30, 1997 increased to \$5.75 per barrel of oil equivalent (boe) from \$4.49/boe for the six months ended June 30, 1996. Operating costs are on plan for the year and reflect new production volumes from the Talisman-operated Beatrice, Buchan and Clyde fields in the North Sea. Higher operating costs also reflected a large number of plant turnarounds in the second quarter and a strong UK Pound.

Total exploration and development expenditures were \$385.1 million, versus \$237.8 million for the six months ended June 30, 1997 and 1996, respectively. This increase reflected a 48% increase in the number of wells drilled in Canada to June 30, a significant increase in spending in Indonesia (\$101.8 million in 1997 versus \$26.1 million in 1996), particularly on the Corridor gas project, and additional spending in the North Sea (\$85.8 million in 1997 versus \$60.4 million in 1996), particularly on Ross development.

Exploration and Operational Developments

Development of the Ross field progressed in the first six months of the year, as development approval for the Ross field was received from the UK government and development drilling commenced. Talisman also acquired prospective acreage near the Ross field as the Corporation continues to build on its position in the Moray Firth region of the North Sea.

A redetermination of interests in the Air Serdang field in the Ogan Komering Block in Indonesia increased Talisman's interest in that field to 78.04% from 64.4% effective July 1, 1997.

On September 30, 1997, Talisman announced that its latest horizontal development well in the Clyde field in the North Sea, A 29/04, tested at rates up to 7,500 bbls/day of dry oil. Talisman holds a 51% interest in the Clyde field.

Capital Expenditures

On August 20, 1997, Talisman announced that it was expanding its 1997 capital spending program and expected to spend approximately \$1 billion, an increase of approximately \$170 million.

Acquisition of Pembina Resources Limited

On September 30, 1997, Talisman entered into an agreement with Loram Corporation to purchase all of the outstanding shares of Pembina Resources Limited ("Pembina"), a privately held oil and gas company with operations in Alberta, Saskatchewan, British Columbia and Ontario. The purchase price for the acquisition is Cdn. \$501 million, subject to certain adjustments. Pembina's long term debt at the time of completion of the acquisition is expected to be approximately \$104 million. Talisman has a commitment for bridge financing with a Canadian chartered bank to fully fund the purchase price and to repay Pembina's long term debt. The acquisition is scheduled to be completed on or about October 21, 1997. Further information concerning this transaction is contained in the Material Change Report of Talisman dated October 8, 1997 incorporated by reference herein.

USE OF PROCEEDS

Unless otherwise indicated in a Prospectus Supplement relating to a series of Debt Securities, the net proceeds received by the Corporation from the sale of Debt Securities will be used by the Corporation for general corporate purposes, which may include financing the Corporation's capital expenditure program and the repayment of indebtedness, and the financing of working capital requirements. The amount of net proceeds to be used for any such purpose will be set forth in a Prospectus Supplement. The Corporation may, from time to time, issue debt instruments and incur additional indebtedness otherwise than through the issue of Debt Securities pursuant to this Prospectus.

INTEREST AND ASSET COVERAGE

The interest and asset coverage ratios set out below have been prepared and included in this Prospectus in accordance with Canadian disclosure requirements. These coverages do not give pro forma effect to any offering of the Debt Securities or any change in indebtedness other than as reflected in the comparative consolidated financial statements of the Corporation for the year ended December 31, 1996 and for the six months ended June 30, 1997.

The following interest and asset coverages are calculated on a consolidated basis as at December 31, 1996 and June 30, 1997 (in the case of asset coverage) and for the twelve-month periods then ended (in the case of interest coverage), and are based on audited financial information, in the case of December 31, 1996, and unaudited financial information, in the case of June 30, 1997.

	December 31, 1996	June 30, 1997
Interest Coverage (times):		
Income ⁽¹⁾	4.05	4.30
Cash Flow ⁽²⁾	11.07	13.40
Asset Coverage (times):		
Before deduction of deferred income taxes and deferred credits ⁽³⁾	3.80	3.84
After deduction of deferred income taxes and deferred credits ⁽⁴⁾	3.33	3.31

(1) Net income plus income taxes and interest expense; divided by interest expense and capitalized interest.

(2) Cash flow plus current income taxes and interest expense; divided by interest expense and capitalized interest.

(3) Total assets minus current liabilities; divided by long term debt.

(4) Total assets minus current liabilities and long term liabilities excluding long term debt; divided by long term debt.

The interest coverage ratios differ from those previously published to reflect a minor change in the calculation methodology.

The foregoing coverages do not give effect to Talisman's proposed acquisition of Pembina referred to under "Recent Developments". The coverage ratios as at June 30, 1997 and for the twelve month period then ended, after giving effect solely to an aggregate increase of \$605 million in both Talisman's debt and total assets as a result of the proposed acquisition and additional interest expense on the incremental debt, are 3.13 and 9.75 times for income and cash flow interest coverage, respectively, and 2.71 times for asset coverage before deduction of deferred income taxes and deferred credits and 2.38 times after deduction of deferred income taxes and deferred credits. In calculating these ratios, no adjustments have been made to reflect Pembina's operating results. Additional interest expense associated with the increased debt has been calculated using an interest rate of 4%, consistent with Talisman's effective Canadian Bankers' Acceptance borrowing rate prevailing on the date of calculation.

DESCRIPTION OF DEBT SECURITIES

The following description of the Debt Securities is a summary of certain of their material attributes and characteristics which does not purport to be complete and is subject to the detailed provisions of the Trust Indenture (defined below), to which reference is hereby made for a full description of such provisions, including the definition of certain terms used herein, and for other information regarding the Debt Securities. The Trust Indenture is subject to the provisions of the *Canada Business Corporations Act* and, consequently, is exempt from the operation of certain provisions of the U.S. Trust Indenture Act of 1939 pursuant to Rule 4d-9 thereunder.

General

The Debt Securities will be issued under a trust indenture dated as of September 26, 1997, as supplemented from time to time (the "Trust Indenture"), between Talisman and Montreal Trust Company of Canada (the "Trustee"). The aggregate principal amount of the Debt Securities authorized under the Trust Indenture is unlimited and Debt Securities may be issued from time to time in one or more series thereunder. The Debt Securities will be direct, unsecured and unsubordinated obligations of Talisman, and will rank *pari passu*, except as to sinking funds, with all other unsecured and unsubordinated indebtedness of the Corporation. The Debt Securities offered pursuant to this Prospectus will be limited to U.S. \$300,000,000 (or the equivalent in other currencies or currency units) aggregate principal amount. Unless otherwise indicated in the applicable Prospectus Supplement, the Trust Indenture also permits the Corporation to increase the

principal amount of any series of Debt Securities previously issued and to issue such increased principal amount. As of the date hereof, no Debt Securities were issued under the Trust Indenture.

The particular terms of each issue of Debt Securities, as well as any modifications of or additions to the general terms of the Debt Securities as described herein that may be applicable in the case of a particular issue of Debt Securities, will be described in a Prospectus Supplement relating to that issue of Debt Securities. Reference is made to the Prospectus Supplement or Supplements for the specific terms of any offering of Debt Securities, including without limitation the specific designation, aggregate principal amount, denomination (which may be in United States dollars, or in any other currency), maturity, rate (which may be fixed or variable) and time of payment of interest, if any, any terms for redemption, at the option of the Corporation or the holders, any terms for sinking fund payments, any listing on a securities exchange, the initial public offering price (or the manner of determination thereof if offered on a non-fixed price basis) and any other terms in connection with the offering and sale of the Debt Securities. The Corporation reserves the right to set forth in a Prospectus Supplement specific terms of Debt Securities which are not within the options and parameters set forth in this Prospectus.

Numerical references in parentheses below are to sections or articles in the Trust Indenture.

Issue, Certification and Delivery

The Corporation may from time to time request the Trustee to certify and deliver Debt Securities of any series by delivering to the Trustee: (a) a certified resolution, certificate of the Corporation or supplemental indenture establishing the terms of the Debt Securities; (b) a written order of the Corporation requesting certification and delivery of such Debt Securities; (c) an opinion of counsel that all requirements imposed by the Trust Indenture and applicable law in connection with the proposed issue have been complied with; and (d) a certificate of the Corporation certifying that the Corporation is not in default under the Trust Indenture, that the terms and conditions for certification and delivery of the Debt Securities have been complied with and that no default will exist upon such certification and delivery occurring. (Section 2.4)

Form, Denomination, Exchange and Transfer

Debt Securities may be issued in registered form without coupons (registered as to both principal and interest) or with coupons registered as to principal only, or in bearer form with or without coupons. Unless otherwise specified in the applicable Prospectus Supplement, Debt Securities will be issuable in denominations of U.S. \$1,000 and integral multiples of \$1,000. (Sections 2.2 and 2.14) Debt Securities of any series may be issued in whole or in part in the form of one or more global debentures ("Global Debt Securities") registered in the name of a designated clearing agency (a "Depository") or its nominee and held by or on behalf of the Depository in accordance with the terms of the Trust Indenture. The specific terms of the depository arrangement with respect to any portion of a series of Debt Securities to be represented by a Global Debt Security will be described in the Prospectus Supplement relating to such series.

Debt Securities of any authorized form or denomination issued under the Trust Indenture may be exchanged for Debt Securities of any other authorized form or denomination or denominations, any such exchange to be for an equivalent aggregate principal amount of Debt Securities of the same series, carrying the same rate of interest and same redemption and other provisions as the Debt Securities so exchanged. Exchanges of Debt Securities of any series may be made at the corporate trust offices of the Trustee in the City of Calgary and at such other places as may from time to time be designated by the Corporation with the approval of the Trustee and may be specified in the applicable Prospectus Supplement. (Section 3.6) Unless otherwise specified in the applicable Prospectus Supplement, the Trustee will be the registrar and transfer agent for the Debt Securities issued under the Trust Indenture. (Section 3.2) A service charge may be made for any transfer or exchange of Debt Securities. Also, Talisman and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. (Section 3.8)

Except as provided below, a Global Debt Security may not be transferred except as a whole between the Depository and a nominee of the Depository or as between nominees of the Depository, or to a successor Depository or nominee thereto, until it is wholly exchanged for fully registered Debt Securities or coupon Debt Securities in accordance with the terms of the Trust Indenture. So long as the Depository for a Global Debt Security, or its nominee, is the registered owner of such Global Debt Security, such Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Debt Securities represented by such Global Debt Security for all purposes under the Trust Indenture. Except as set forth below, owners of beneficial interests in a Global Debt Security will not be entitled to have the Debt Securities represented by such Global Debt Security registered in their names, will not receive or be entitled to receive physical delivery of such Debt Securities in definitive form and will not be considered the owners or holders thereof under the Trust Indenture. No Global Debt Security may be exchanged in whole or in part for Debt Securities registered, and no transfer of a Global Debt Security in whole or in part may be registered, in the name of any person other than the Depository for such Global Debt Security or any nominee of such Depository unless (a) the Depository has notified the Corporation that it is unwilling or unable to continue as Depository for such Global Debt Security or has ceased to be eligible to act as such as required by the Trust Indenture and the Corporation has been unable to obtain a replacement within 90 days following such notification, (b) there shall have occurred and be continuing an Event of Default with respect to Debt Securities represented by such Global Debt Security or (c) if the Corporation at any time in its sole discretion determines that any Debt Securities represented by a Global Debt Security shall no longer be so represented, whereupon such Global Debt Security shall be exchanged for individual Debt Securities of the same series in an aggregate principal amount equal to the principal amount of such Global Debt Securities and registered in such names as the Depository may direct. (Section 2.14)

Payment of Interest and Principal

The Corporation will pay the principal of and premium, if any, and interest on Debt Securities at the dates and places, in the currencies and in the manner described in the Debt Securities and in the coupons, if any, pertaining thereto. As interest becomes due on any fully registered Debt Security (except at maturity or on redemption, when interest may at the option of the Corporation be paid only upon surrender of such Debt Security), the Corporation, either directly or through the Trustee, will send, at least five (5) days prior to each interest payment date, by prepaid ordinary mail, a cheque for such interest (less any tax required to be withheld therefrom) payable to the order of the then registered holder of such Debt Security and addressed to such holder at such holder's last address appearing on the register. In the event of nonreceipt of any cheque for interest by the person to whom it is sent in accordance with the Trust Indenture, the Corporation or the Trustee will issue to such person a replacement cheque for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require. (Section 5.1) Payments may also be made by wire transfer or other electronic means. (Section 1.7)

Principal, premium, if any and interest payments on Debt Securities represented by a Global Debt Security registered in the name of a Depository or its nominee will be made to such Depository or its nominee, as the case may be, as the registered owner of such Global Debt Security. None of the Corporation, the Trustee or any paying agent for such Debt Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Debt Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payment of principal, premium, if any, and interest, if any, on a Debt Security in accordance with the Trust Indenture shall absolutely satisfy and discharge the liability of the Corporation with respect to such payment under the Debt Security, unless, in the case of payment by cheque, such cheque is not paid upon presentation at any one of the places where interest is payable according to the terms of such Debt Security and the coupon, if any, pertaining thereto. (Section 5.1)

Events of Default

Reference is made to the applicable Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or covenants of Talisman that are described below.

Unless otherwise specified in the applicable Prospectus Supplement, the following are events of default (“Events of Default”) under the Trust Indenture in relation to the Debt Securities issued thereunder:

- (i) failure by Talisman to pay the principal or premium, if any, when due and if continuing for a period of four days after written notice of the default has been provided to Talisman by the Trustee;
- (ii) failure by Talisman to pay any interest when due on any Debt Security or on any sinking fund payment and if continuing for a period of 30 days after written notice of the default has been provided to Talisman by the Trustee;
- (iii) certain events of bankruptcy, insolvency or analogous proceedings;
- (iv) if any process of execution be enforced or levied upon any of the property of Talisman or a Restricted Subsidiary (as defined below) and such property has a net book value in excess of the greater of \$50,000,000 and 2% of the Equity (as defined below) of the Corporation, or the equivalent thereof in any other currency, and such process remains unsatisfied for a period of 60 days, as to movable or personal property, or 90 days, as to immovable or real property, provided that such process is not in good faith disputed by the Corporation or such Restricted Subsidiary, or, if so disputed, the Corporation shall not have given evidence satisfactory to the Trustee that it or such Restricted Subsidiary has available a sum sufficient to pay in full the amount claimed in the event that it shall be held to be a valid claim;
- (v) failure by Talisman or a Restricted Subsidiary to make any payment at maturity, including any applicable grace period, in respect of any issue of Indebtedness for Borrowed Money (as defined below) in any aggregate amount in excess of the greater of \$50,000,000 and 2% of the Equity of the Corporation, or the equivalent thereof in any other currency, and if continuing for a period of 30 days after written notice of the default has been provided to Talisman by the Trustee, or to Talisman and the Trustee by the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities;
- (vi) if a default with respect to any Indebtedness for Borrowed Money of Talisman or any Restricted Subsidiary occurs, which default results in the acceleration of any issue of such Indebtedness for Borrowed Money in an aggregate amount in excess of the greater of \$50,000,000 and 2% of the Equity of the Corporation, or the equivalent thereof in any other currency, without such Indebtedness for Borrowed Money having been discharged or such acceleration having been cured, waived, rescinded or annulled for a period of 30 days after written notice of the default has been provided to Talisman by the Trustee, or to Talisman and the Trustee by the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities; and
- (vii) default by Talisman in the performance or observance of any other covenant or condition contained in the Trust Indenture continuing for a period of 60 days (or such shorter or longer period as may be determined in accordance with the Trust Indenture) after written notice has been given to Talisman by the Trustee specifying the default and requiring Talisman to remedy the same, provided that such period of 60 days shall be reduced to five days from written notice by the Trustee to the Corporation if the Trustee is reasonably of the view that the Corporation cannot make good such default.

Additional Events of Default may be established for a particular series of Debt Securities issued under the Trust Indenture. (Section 6.1)

The Trust Indenture provides that subject to the absolute and unconditional right of each holder of a Debt Security to receive payment of the principal of and interest on such Debt Security on or after the respective due dates therefor, as provided in Section 6.12, if an Event of Default has occurred the Trustee

may, in its discretion, and shall upon the requisition in writing of the holders of not less than 25% in principal amount of outstanding Debt Securities, declare the principal, premium, if any, and interest on all Debt Securities outstanding under the Trust Indenture to be due and payable immediately. (Section 6.2) However, the holders of not less than 66⅔% in principal amount of all Debt Securities outstanding (or, if the Event of Default has occurred with respect only to one or more series of Debt Securities, 66⅔% of the principal amount of Debt Securities of such series outstanding), or the Trustee (if in the Trustee's opinion the default shall have been cured or adequately satisfied), may cancel or annul the acceleration and waive the Event of Default. (Section 6.3) Such power of Debt Security holders to waive defaults is in addition to and subject to the powers exercisable by extraordinary resolution. See "Modification of the Trust Indenture" below.

The Trust Indenture provides that if Talisman fails to pay promptly any principal, premium, if any, and interest declared by the Trustee to be due and payable following an Event of Default, the Trustee may in its discretion or shall upon the requisition in writing of the holders of not less than 25% in principal amount of outstanding Debt Securities and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed to obtain or enforce payment of the amounts due and payable together with other amounts due under the Trust Indenture by such proceedings as are authorized under the Trust Indenture or by law or equity. Where the Trustee fails to act within a reasonable time following receipt of the foregoing requisition in writing and indemnity, holders of Debt Securities issued under the Trust Indenture shall be entitled to take proceedings to obtain or enforce payment of amounts due or payable by the Corporation. (Section 6.4) The Trust Indenture provides that no holder of Debt Securities will have any right (other than actions for payment of overdue principal and interest) to institute action against the Corporation under the Trust Indenture except in accordance with the foregoing procedures.

Notwithstanding any other provisions in the Trust Indenture and any provision of any Debt Security, each holder of any Debt Security shall have the right, which is absolute and unconditional, to receive payment of the principal and interest on such Debt Security on or after the respective due dates expressed in such Debt Security, and to institute suit for the enforcement of any such payment on or after such respective dates, which rights shall not be impaired or affected (whether by modification of the Trust Indenture or of the rights of holders of Debt Securities exercisable by extraordinary resolution, waiver of an Event of Default or otherwise) without the consent of such Debt Security holder. (Section 6.12)

The Corporation and any successor corporation is liable for payment of the principal of, premium, if any, and interest on the Debt Securities. (Sections 5.1 and 8.1) Each holder of Debt Securities outstanding from time to time under the Trust Indenture and the Trustee waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future incorporator, shareholder, director, officer or employee of Talisman but not against the Corporation or any successor corporation for the payment of the principal of, premium, if any, or interest on the Debt Securities or on any covenant, agreement, representation or warranty by Talisman contained in the Trust Indenture or in the Debt Securities. (Section 6.11)

Certain Covenants of the Corporation

The Corporation covenants and agrees in the Trust Indenture that except for Permitted Encumbrances (as defined below), the Corporation shall not create, incur, assume or suffer to exist, nor shall it allow or permit any Restricted Subsidiary (as defined below) to create, incur, assume or suffer to exist, any Security Interest (as defined below) upon or with respect to any of its properties, assets or undertakings whether now owned or hereafter acquired. (Section 5.1)

Reorganization, Merger, Conveyance or Lease

Talisman shall not be restricted by the terms of the Trust Indenture from entering into any reconstruction, reorganization, consolidation, amalgamation, merger, transfer, sale, conveyance or other transaction whereby all or substantially all of its undertaking, property and assets would become the property of another corporation (the "successor corporation"), if: (i) the successor corporation shall have entered into an indenture supplemental to the Trust Indenture or other instruments which evidence the assumption by the

successor corporation of all the obligations of Talisman under, and the covenant of the successor corporation to be subject to all the provisions of, the Trust Indenture; (ii) the Trustee is satisfied, and legal counsel to the Corporation is of the opinion, that such transaction is upon such terms as substantially to preserve and not to prejudice any of the rights and powers of the Trustee or of the holders of Debt Securities (including, in respect of any Debt Securities that may be convertible, the conversion rights of holders); and (iii) there shall exist no condition or event either at the time of or immediately following such transaction, as to either Talisman or the successor corporation, which constitutes or would with the passage of time constitute an Event of Default under the Trust Indenture. (Section 8.1)

Satisfaction and Discharge

The Trust Indenture provides that the Corporation shall be deemed to have fully paid, satisfied and discharged the Debt Securities of any series when either (a) the Corporation has deposited with the Trustee trust funds for the purpose of making payment on the Debt Securities of such series an amount sufficient to discharge the entire amount of principal, premium, if any, and interest on the maturity date or any repayment date or redemption dates, as the case may be, of the outstanding Debt Securities of such series; or (b) the Corporation has deposited with the Trustee trust property for the purpose of making payment on the Debt Securities of such series in such amount of U.S. Government Obligations (as defined in the Trust Indenture), which, together with the income to accrue thereon and reinvestment thereof, will be sufficient to pay and discharge the entire amount of principal, premium, if any, and accrued and unpaid interest to the maturity date or any repayment date, as the case may be, of the outstanding Debt Securities of such series. Any such deposits shall be irrevocable (except deposits not claimed within six years after the date of maturity or redemption, as the case may be, of the Debt Securities of such series) and shall be made under the terms of an escrow and/or trust agreement in form and substance satisfactory to the Trustee. Any such deposits in respect of the Debt Securities of any series shall be denominated in the currency in which such series is denominated. Such a trust may only be established if, among other things, the Corporation has delivered to the Trustee an opinion of counsel to the effect that the holders of the Debt Securities of such series will not recognize gain or loss for U.S. Federal income tax purposes as a result of such deposit or discharge and will be subject to U.S. Federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit or discharge had not occurred. The Prospectus Supplement relating to a series may further describe the provisions, if any, permitting such discharge with respect to the Debt Securities of a particular series. Upon satisfaction of the foregoing conditions with respect to all outstanding Debt Securities, the terms and conditions of the Debt Securities, including the conditions with respect thereto contained in the Trust Indenture, shall no longer be binding upon or applicable to the Corporation. (Section 7.5)

Evidence of Compliance

The Trust Indenture provides that the Corporation shall furnish to the Trustee evidence of compliance by the Corporation with conditions precedent provided for in the Trust Indenture to be fulfilled by the Corporation relating to (a) the certification and delivery of the original issue of Debt Securities; (b) the satisfaction and discharge of the Trust Indenture; and (c) the taking of any action to be taken by the Trustee at the request of the Corporation forthwith if and when such evidence is required to be furnished to the Trustee by the Trust Indenture. The evidence of compliance is to consist of (a) a statutory declaration or certificate of a director or officer of the Corporation stating that the conditions precedent have been complied with in accordance with the terms of the Trust Indenture; and (b) in case of conditions precedent compliance with which are by the Trust Indenture made subject to a review or an examination by counsel, an opinion by counsel that such conditions precedent have been complied with in accordance with the terms of the Trust Indenture. Any such evidence of compliance shall also comply with any legislation relating to trust indentures applicable to the Trust Indenture. In addition to the foregoing, the Corporation shall whenever the Trustee so requires by written notice furnish the Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Trustee as to any action or step required or permitted to be taken by the Corporation under the Trust Indenture or as a result of any obligation imposed by the Trust Indenture. (Section 11.17) The Trust Indenture also provides that the Corporation will annually (or at any other reasonable time as the Trustee may request) furnish the Trustee with a certificate stating that the Corporation

has complied with all covenants, conditions or other requirements contained in the Trust Indenture, non-compliance with which would constitute an Event of Default; or, in the event of such non-compliance, specifying the particulars of such noncompliance. (Section 11.15)

Modification of the Trust Indenture

Subject to Section 6.12 thereof, the Trust Indenture provides the holders of Debt Securities with a number of powers exercisable by extraordinary resolution, including among others (a) to agree to modifications or abrogations of rights of holders of Debt Securities and/or the Trustee against the Corporation or its property; (b) to direct or authorize the Trustee to exercise (or refrain from exercising) any power, right or remedy under the Trust Indenture or Debt Securities; (c) to waive, or direct the Trustee to waive, any default of the Corporation under the Trust Indenture or Debt Securities and, on certain conditions, to restrain other Debt Securities holders from proceeding with an action to enforce a remedy under the Trust Indenture; (d) to assent to any modification in or omission from the provisions of the Trust Indenture also agreed to by the Corporation; (e) to amend or repeal any previous extraordinary resolution; and (f) to remove the Trustee from office and appoint new Trustee(s). Other actions by the holders of Debt Securities may be taken by ordinary resolution. The Trust Indenture provides that resolutions may be made either by vote at meetings of Debt Securities holders or by instruments in writing. Resolutions by vote at a meeting will not be binding upon Debt Securities holders (or, if the action to be taken affects the rights of holders of one or more series of Debt Securities in a substantially different manner than other holders, upon the holders of such affected series) unless passed by (i) at least 66⅔% of the principal amount of Debt Securities (or each affected series thereof) voted at a meeting where at least 51% of the outstanding Debt Securities (or each affected series thereof) are present, in the case of extraordinary resolutions subject to provisions as to adjourned meetings, or (ii) the holders of a majority of the principal amount of Debt Securities (or each affected series thereof) voted at a meeting where at least 25% of the outstanding Debt Securities (or each affected series thereof) are present, in the case of ordinary resolutions. Resolutions by instruments in writing will not be binding unless signed by holders of at least 66⅔% of the outstanding principal amount of the Debt Securities or each affected series thereof (as the case may be). Changes in (a) any covenant or agreement applicable only to a particular series, or (b) reductions in required voting or written consent percentages for any series, are deemed under the Trust Indenture to affect holders of Debt Securities of such series in a substantially different manner. (Article 9)

Governing Law

The Trust Indenture and the Debt Securities will be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein, and will also be subject to, and governed by, the provisions of the United States *Trust Indenture Act* of 1939 required to be a part of and govern indentures qualifying for certain exemptions thereunder. (Section 1.5)

Definitions

The Trust Indenture contains the following definitions (Section 1.1):

“*Consolidated Assets*” means the aggregate amount of the assets of the Corporation as set forth in the Corporation’s most recent consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles and filed with a securities commission or similar regulatory authority;

“*Current Assets*” means current assets as determined in accordance with Generally Accepted Accounting Principles;

“*Equity*” means, as to any corporation, the shareholders’ equity appearing in the corporation’s most recent consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles;

“*Generally Accepted Accounting Principles*” means generally accepted accounting principles which are in effect from time to time in Canada;

“*Indebtedness*”, as to any corporation, means, without duplication, all items of indebtedness or liability which in accordance with Generally Accepted Accounting Principles would be considered to be indebtedness or

liabilities of such corporation as at the date of which indebtedness is to be determined, including Indebtedness for Borrowed Money;

"Indebtedness for Borrowed Money", as to any corporation, means, without duplication, the full amount of all liabilities of such corporation for the repayment, either in money or in property, of borrowed money, and the full amount of liabilities of others for the repayment, either in money or in property, of borrowed money, that is guaranteed or endorsed (otherwise than for purposes of collection) by such corporation, or which such corporation is obligated, contingently or otherwise, to purchase, or on which such corporation is otherwise contingently liable, provided that a contingent liability for borrowed money shall only constitute Indebtedness for Borrowed Money where the amount thereof is recorded as a liability in the most recent consolidated financial statements of such corporation in accordance with Generally Accepted Accounting Principles;

"Permitted Encumbrances" means any of the following:

- (i) liens for taxes, assessments or governmental charges which are not due or delinquent, or the validity of which the Corporation or any Restricted Subsidiary shall be contesting in good faith;
- (ii) the liens of any judgments rendered, or claims filed, against the Corporation or any Restricted Subsidiary which the Corporation or such Restricted Subsidiary shall be contesting in good faith;
- (iii) liens, privileges or other charges imposed or permitted by law such as carriers' liens, builders' liens, materialmen's liens and other liens, privileges or other charges of a similar nature which relate to obligations which are not due or delinquent;
- (iv) undetermined or inchoate liens arising in the ordinary course of and incidental to construction or current operations of the Corporation or any Restricted Subsidiary which relate to obligations which are not due or delinquent, or the validity of which the Corporation or the Restricted Subsidiary shall be contesting in good faith;
- (v) encumbrances incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the joint development, operation or present or future abandonment of properties or related production or processing facilities as security in favour of any other owner or operator of such assets for the Corporation's or any Restricted Subsidiary's portion of the costs and expenses of such development, operation or abandonment provided that such costs or expenses are not due or delinquent;
- (vi) *liens for penalties arising under non-participation provisions of operating or similar agreements in respect of the Corporation's or any Restricted Subsidiary's properties;*
- (vii) easements, rights-of-way, servitudes, zoning or other similar rights or restrictions in respect of land held by the Corporation or any Restricted Subsidiary (including, without limitation, rights-of-way and servitudes for railways, sewers, drains, pipe lines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) which are in existence on the date of execution of the Trust Indenture or which do not, either alone or in the aggregate, materially detract from the value of such land or materially impair its use in the operation of the business of the Corporation or of any such Restricted Subsidiary;
- (viii) liens incurred in the ordinary course of the oil and gas business in respect of take or pay obligations under gas sales contracts;
- (ix) *royalties, gross overriding royalties or other similar burdens on production in the ordinary course of business affecting the Corporation's or any Restricted Subsidiary's properties, or encumbrances in respect of same;*
- (x) security given to a public utility or any municipality or governmental or other public authority when required by such utility, municipality or authority in connection with the operations of the Corporation or any Restricted Subsidiary, to the extent such security does not materially detract from the value of any material part of the property of the Corporation or any such Restricted Subsidiary;

- (xi) cash or marketable securities deposited in connection with bids or tenders, or deposited with a court as security for costs in any litigation, or to secure workmen's compensation or unemployment insurance liabilities;
- (xii) reservations, limitations or provisos expressed in or affecting any grant of real or immovable property or any interest therein;
- (xiii) liens on cash or marketable securities of the Corporation or any Restricted Subsidiary granted in the ordinary course of business in connection with:
 - (A) any currency swap agreements, forward exchange rate agreements, foreign currency futures or options, exchange rate insurance and other similar agreements or arrangements;
 - (B) any interest rate swap agreements, forward rate agreements, interest rate cap or collar agreements or other similar financial agreements or arrangements; or
 - (C) any agreements or arrangements entered into for the purpose of hedging product prices;
- (xiv) pre-existing encumbrances on assets when acquired or when the owner thereof becomes a Restricted Subsidiary, or encumbrances given by such Restricted Subsidiary on other assets of such Restricted Subsidiary in compliance with obligations under trust deeds or other instruments entered into prior to its becoming a Restricted Subsidiary;
- (xv) Purchase Money Mortgages;
- (xvi) security on Current Assets given in the ordinary course of business to any financial institution to secure any Indebtedness payable on demand or maturing (including any right of extension or renewal) 18 months or less after the date such Indebtedness is incurred or the date of any renewal or extension thereof;
- (xvii) security given by the Corporation in favour of a Restricted Subsidiary or by a Restricted Subsidiary in favour of the Corporation or another Restricted Subsidiary;
- (xviii) security in respect of transactions such as the sale (including any forward sale) or other transfer, in the ordinary course of business, of:
 - (a) oil, gas or other minerals, whether in place or when produced, for a period of time until, or in an amount such that, the purchaser will realize therefrom a specified amount of money (however determined) or a specified amount of such minerals; or
 - (b) any other interests in property of a character commonly referred to as a "production payment";
- (xix) security in respect of Indebtedness incurred, assumed or guaranteed by the Corporation or any Restricted Subsidiary that is incurred, assumed or guaranteed in connection with the acquisition, construction or development of a particular asset or assets, including security in respect of the shares or Indebtedness of a Subsidiary engaged directly or indirectly in the acquisition, construction or development of a particular asset or assets, provided that the grantees of such security have no recourse generally against any assets, property or undertaking of the Corporation or any Restricted Subsidiary except for the assets acquired, constructed or developed (and other de minimus assets associated therewith) or shares or Indebtedness of a Subsidiary, other than a Restricted Subsidiary, engaged directly or indirectly in such acquisition, construction or development;
- (xx) extensions, renewals or replacements of all or part of any security permitted under paragraphs (i) to (xix) hereof provided that such security relates to the same property plus improvements, if any, and provided that the amount of Indebtedness secured thereby will not exceed the principal amount of such Indebtedness immediately prior to such extension, renewal or replacement; and

- (xxi) security that would otherwise be prohibited (including any extensions, renewals or replacements thereof or successive extensions, renewals or replacements thereof), provided that the aggregate Indebtedness outstanding and secured under this paragraph (xxi) does not (calculated at the time of the giving of security on the Indebtedness and not at the time of any extension, renewal or replacement thereof) exceed an amount equal to the greater of 5% of Consolidated Assets and \$100,000,000 (or the equivalent thereof in any other currency);

“Purchase Money Mortgage” means a mortgage, charge or other lien on or against any property securing any Purchase Money Obligation for such property;

“Purchase Money Obligation” means any Indebtedness created or assumed as part of the purchase price of real or tangible personal property, whether or not secured, any extensions, renewals or refundings of any such Indebtedness, provided that the principal amount of such Indebtedness outstanding on the date of such extension, renewal or refunding is not increased and further provided that any security given in respect of such Indebtedness shall not extend to any property other than the property acquired in connection with which such Indebtedness was created or assumed and fixed improvements, if any, erected or constructed thereon;

“Restricted Subsidiary” means:

- (xxii) any Subsidiary of the Corporation which owns oil or natural gas properties, or interests therein, in Canada, the United Kingdom or the United States, or refining or manufacturing facilities, or interests therein, in Canada, the United Kingdom or the United States, related to the refining or manufacture of petroleum hydrocarbons, petrochemicals, the constituents thereof or the derivatives therefrom, which assets represent not less than the greater of 5% of Consolidated Assets and \$50,000,000 (or the equivalent thereof in any other currency), excluding however any such Subsidiary if the amount of Talisman’s share of the Equity therein does not at the time exceed 2% of the Equity of Talisman, and
- (xxiii) any Subsidiary of the Corporation designated as a Restricted Subsidiary from time to time in the form of designation provided for under the Trust Indenture (a “Designation”), which Designation may not be revoked,

provided that notwithstanding anything in the Trust Indenture to the contrary (A) a Restricted Subsidiary shall cease to be a Restricted Subsidiary when it ceases to be a Subsidiary for any reason, (B) any Subsidiary to which assets held by a Restricted Subsidiary, having a value equal to or greater than 5% of the assets of the Restricted Subsidiary, are, directly or indirectly, transferred, other than for fair value, shall itself be deemed to be a Restricted Subsidiary, and (C) a Restricted Subsidiary shall cease to be a Restricted Subsidiary when the assets thereof represent less than the greater of 5% of Consolidated Assets and \$50,000,000 (or the equivalent thereof in any other currency) or if the amount of the Corporation’s share of the Equity therein does not at the time exceed 2% of the Equity of the Corporation;

Talisman Energy (UK) Limited and Talisman North Sea Limited are currently the only Restricted Subsidiaries. Upon Talisman’s acquisition of Pembina, it is expected that Pembina will be a Restricted Subsidiary.

“Security Interest” means any security by way of an assignment, mortgage, charge, pledge, lien, encumbrance, title retention agreement or other security interest whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, perfected or not; provided, however, for greater certainty, “Security Interest” shall not include any security interest referred to in Section 1(1)(qq)(ii) of the *Personal Property Security Act* (Alberta);

“Subsidiary” means any corporation of which there are owned, directly or indirectly, by or for the Corporation or by or for any corporation in like relation to the Corporation, Voting Shares which, in the aggregate, entitle the holders thereof to cast more than 50% of the votes which may be cast by the holders of all the outstanding Voting Shares of such first mentioned corporation for the election of its directors and includes any corporation in like relation to a Subsidiary; and

“Voting Shares” means shares of capital stock of any class of a corporation having under all circumstances the right to vote for the election of the directors of such corporation, provided that, for the purpose of this definition, shares which only carry the right to vote conditionally on the happening of an event shall not be considered Voting Shares whether or not such event shall have happened.

ENFORCEABILITY OF CIVIL LIABILITIES

Talisman is a corporation existing under the Canada Business Corporations Act. Certain of the directors and officers of Talisman and certain experts named herein are residents of Canada or otherwise reside outside the United States, and all or a substantial portion of their assets and a substantial portion of the assets of Talisman are located outside the United States. Talisman has appointed an agent for service of process in the United States, as described below, but it may be difficult for holders of Debt Securities to effect service within the United States upon those directors, officers and experts who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon the civil liability of Talisman and such directors, officers and experts under the United States Federal securities laws. Talisman has been advised by its Canadian counsel, Macleod Dixon, that a judgment of a United States court predicated solely upon civil liability under such laws would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that would be recognized by a Canadian court for such purposes. Talisman has also been advised by such counsel, however, that *there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.*

Talisman has filed with the Commission, under the Securities Act, an appointment of agent for service of process on Form F-X under which Talisman has appointed Bogle & Co., Two Union Square, 601 Union Street, Seattle, Washington 98101, as its agent for service of process in the United States in respect of any investigation or administrative proceeding conducted by the Commission and any civil suit or action brought against or involving Talisman in a United States court arising out of or related to or concerning the offering of Debt Securities under this Prospectus.

PLAN OF DISTRIBUTION

The Corporation may sell Debt Securities to or through underwriters or dealers and also may sell Debt Securities directly to purchasers or through agents.

The distribution of Debt Securities of any series may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers.

In connection with the sale of Debt Securities, underwriters may receive compensation from the Corporation or from purchasers of Debt Securities for whom they may act as agents in the form of discounts, concessions or commissions. Underwriters, dealers and agents that participate in the distribution of Debt Securities *may be deemed to be underwriters and any discounts or commissions received by them from the Corporation and any profit on the resale of Debt Securities by them may be deemed to be underwriting discounts and commissions under the Securities Act.*

The Prospectus Supplement relating to each series of Debt Securities will also set forth the terms of the offering of the Debt Securities of such series, including to the extent applicable, the initial offering price, the proceeds to the Corporation, the underwriting discounts or commissions, and any other discounts or concession to be allowed or reallocated to dealers. Underwriters with respect to each series sold to or through underwriters will be named in the Prospectus Supplement relating to such series.

Under agreements which may be entered into by the Corporation, underwriters, dealers and agents who participate in the distribution of Debt Securities may be entitled to indemnification by the Corporation against certain liabilities, including liabilities under the Securities Act.

The Debt Securities will not be qualified for sale under the securities laws of Canada or any province or territory of Canada, unless a Prospectus Supplement indicates otherwise with respect to a particular series of Debt Securities. Each underwriter and each dealer participating in the distribution of any series of Debt Securities must agree that it will not offer to sell, directly or indirectly, any such Debt Securities acquired by it in connection with such distribution, in Canada or to residents of Canada in contravention of the securities laws of Canada or any province or territory thereof.

Each series of Debt Securities will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to a series of Debt Securities, the Debt Securities will not be listed on any securities exchange. Certain broker-dealers may make a market in the Debt Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker-dealer will make a market in the Debt Securities of any series or as to the liquidity of the trading market for the Debt Securities of any series.

LEGAL MATTERS

The validity of the Debt Securities will be passed upon for the Corporation by Macleod Dixon, Calgary, Alberta, Canada. Certain legal matters in connection with the offering will be passed upon for the Corporation by Bogle & Gates P.L.L.C., Seattle, Washington, with respect to matters of United States law. In addition, certain legal matters in connection with the offering will be passed upon for the underwriters or agents, if any, by Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York with respect to all matters of U.S. law and by Bennett Jones Verchere with respect to all matters of Canadian law. The firms of Macleod Dixon, Bogle & Gates P.L.L.C., Bennett Jones Verchere and Paul, Weiss, Rifkind, Wharton & Garrison as a group beneficially own, directly or indirectly, less than one percent of the outstanding common shares of the Corporation.

EXPERTS

The comparative audited consolidated financial statements of the Corporation and Schedule I to the Annual Information Form of the Corporation dated March 5, 1997, which have been incorporated by reference herein, have been so incorporated in reliance on the reports of Ernst & Young, Chartered Accountants, given on the authority of said firm as experts in auditing and accounting.

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been filed with the Commission as part of the Registration Statement of which this Prospectus forms a part: Annual Information Form of the Corporation dated March 5, 1997 (including Management's Discussion and Analysis, contained on pages 30 to 40, inclusive, of the Corporation's 1996 Annual Report); comparative audited consolidated financial statements of the Corporation for the year ended December 31, 1996, together with the auditors' report thereon, contained on pages 44 to 59, inclusive, of the Corporation's 1996 Annual Report; Management Proxy Circular of the Corporation dated March 5, 1997 (excluding those portions thereof which appear under the headings "Management Succession and Compensation Committee Report" and "Performance Graph"); Material Change Reports of the Corporation dated February 21, 1997, April 18, 1997 and October 8, 1997; comparative unaudited consolidated interim financial statements of the Corporation for the three months ended March 31, 1997; comparative unaudited consolidated interim financial statements of the Corporation for the three months and six months ended June 30, 1997; certified copy of directors' resolutions; consent of Ernst & Young; Form of Trust Indenture dated as of September 26, 1997 between the Corporation and Montreal Trust Company of Canada; interest and asset coverage calculations as at December 31, 1996 and as at June 30, 1997; and Powers of Attorney.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement or the Prospectus in connection with the offer made by this Prospectus Supplement and the Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Corporation or the Underwriters. Neither the delivery of this Prospectus Supplement and the Prospectus nor any sale made hereunder and thereunder shall under any circumstance create an implication that there has been no change in the affairs of the Corporation since the date hereof. This Prospectus Supplement and the Prospectus do not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

U.S. \$300,000,000

TALISMAN
E N E R G Y

**7¼% Debentures
due October 15, 2027**

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PROSPECTUS SUPPLEMENT

**Merrill Lynch & Co.
Salomon Brothers Inc
UBS Securities**

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