

TALISMAN

E N E R G Y

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Talisman Nine Month Cash Flow \$2 Billion, Net Income \$738 Million, 3Q Cash Flow Up Over Last Year, Record Production Volumes, 1.5 Million Shares Repurchased in 3Q

CALGARY, ALBERTA--Talisman Energy Inc. generated a record \$2 billion in cash flow during the first nine months of 2001, despite falling oil and gas prices during the year, as volumes reached record high levels. The Company also posted record earnings for the nine months.

"Even with commodity prices below last year's levels, Talisman is extremely strong financially and operationally," said Dr. Jim Buckee, President and Chief Executive Officer. "Cash flow for the quarter is up over last year despite a 17% decrease in realized oil and gas prices. Unit operating costs are down from the previous quarter and long term debt is equivalent to about one year's cash flow.

"Talisman set a new quarterly production record of 422,000 boe/d, an increase of 6% over last year and 9% above the second quarter. Although we are behind schedule on our production targets, the Company is currently producing 450,000 boe/d and we expect fourth quarter volumes in the range of 460,000-470,000 boe/d.

"Talisman continues to add significant reserves and production capacity. We have been awarded a new block in Trinidad adjacent to our three oil and gas discoveries. I am pleased with progress in Malaysia where we have integrated the Lundin office and drilled a successful appraisal well in the Bunga Raya oil leg. In the North Sea, we have drilled a successful appraisal well on the Blake flank and expect start up of Halley and Hannay early next year. In Canada, we have recently drilled a number of high impact gas wells, although weather, plant turnarounds, facility constraints and regulatory issues have affected production growth.

"Cash flow for the year is expected to be in the \$2.5-2.6 billion range or approximately \$19 per share, based on US\$22.50 WTI and US\$2.75 NYMEX gas prices in the fourth quarter. Income is more difficult to predict, but we anticipate approximately \$850 million (\$6.10/share) for the year. I continue to believe that Talisman's shares are undervalued at current prices and represent a good investment opportunity. The Company repurchased 1.5 million shares during the quarter, bringing the total to 2.5 million year-to-date.

"We are finalizing plans for 2002. Initial forecasts show 10-15% production growth over this year, driven by our large inventory of exploration and development projects, which we expect to fund through internally generated cash flow."

Third Quarter Highlights

* Cash flow of \$587 million (\$4.35/share), an increase of 1% over 3Q 2000. Year to date cash flow is up 15% to \$2.0 billion (\$14.72/share).

* Net income of \$156 million (\$1.11/share), compared to \$218 million (\$1.53/share) for 3Q last year. Year to date net income is up 16% to \$738 million (\$5.33/share).

* Exploration and development spending during the quarter of \$489 million versus \$265 million a year earlier. Exploration and development spending to September 30 has totalled \$1.3 billion.

* Production of 422,000 boe/d during the quarter, compared to 397,000 boe/d a year earlier.

* Oil prices of \$35.33/bbl in the third quarter of 2001, down 17% from the third quarter of 2000. Natural gas prices of \$3.66/mcf (\$3.56/mcf in Canada), compared to \$4.48/mcf (\$4.40/mcf in Canada).

* Long-term debt of \$2.9 billion (1.1:1 debt to cash flow ratio based on previous 12 months).

* On September 19, Talisman declared its second semi-annual dividend of \$0.30/share on the Company's common shares. The dividend will be paid on December 31, 2001.

Operational Highlights

* On August 21, Talisman announced the successful acquisition of Lundin Oil AB for \$505 million. Integration is essentially complete. Talisman drilled a successful sidetrack well in Malaysia where production is currently 6,800 bbls/d.

* Unit operating costs during the quarter averaged \$5.60/boe, down from \$5.85/boe in the second quarter.

* Following the acquisition of Petromet Resources earlier this year, Talisman hedged a significant portion of Petromet's expected gas production. Proceeds from these hedges over five months have totalled about \$30 million. After the end of the quarter approximately one third of the volume of these hedges were unwound for proceeds of \$60 million.

* On November 1, Talisman was awarded additional acreage in Trinidad adjacent to its large oil and gas discoveries on Block 2(c). Additional details will be released shortly.

* Blake commissioning problems have been resolved and the field is producing 55,000-60,000 bbls/d. A successful Blake appraisal well tested at over 5,000 bbls/d and is expected to lead to development of the flank area and add significant reserves.

* On October 12, Talisman commissioned the Chungo pipeline in western Alberta with net initial throughput of 12 mmcf/d. Talisman's Alberta Foothills gas production has reached a record high 120 mmcf/d.

Management's Discussion and Analysis

This discussion and analysis should be read in conjunction with the Interim Consolidated Financial Statements. The calculation of barrels of oil equivalent (boe) is based on a conversion rate of six thousand cubic feet (mcf) of natural gas for one barrel of oil equivalent. All comparative percentages are between the quarters ended September 30, 2001 and September 30, 2000, unless stated otherwise.

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	Three months ended September 30		Nine months ended September 30	
	2001	2000	2001	2000

Financial (millions of Canadian dollars unless otherwise stated)				
Cash flow ¹	587.0	579.3	1,991.6	1,723.4
Net income ¹	155.5	217.8	738.2	637.9
Exploration and development expenditures	488.7	264.5	1,337.0	781.7
Per common share (dollars)				
Cash flow 1 - Basic	4.35	4.18	14.72	12.46
- Diluted	4.28	4.11	14.45	12.28
Net income 2 - Basic	1.11	1.53	5.33	4.49
- Diluted	1.09	1.51	5.23	4.43

Production (daily average production)				
Oil and liquids (bbls/d)	258,190	237,634	241,006	242,826
Natural gas (mmcf/d)	986	956	986	986

Total mboe/d (6mcf=1boe)	422	397	405	407

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1) Amounts are reported prior to preferred security charges of \$10.3 million (\$5.8 million, net of tax) for the three months ended September 30, 2001 (2000 - \$10.0 million; \$5.6 million, net of tax).

2) Per common share amounts for net income and diluted net income are reported after preferred security charges.

Record production levels of 422,459 boe/d, more than offset lower prices as cash flow for the quarter ended September 30, increased to \$587.0 million (\$4.35/share). Cash flow for the nine months was \$2 billion (\$14.72/share) up 16% over the same period in 2000. Net income relative to cash flow, decreased during the quarter, mostly due to increased exploration expenditures and depreciation, depletion and amortization (DDcosts).

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	Three months ended September 30		Nine months ended September 30	
Daily average production	2001	2000	2001	2000

Oil and liquids (bbls/d)				
Canada	65,845	66,721	66,250	66,090
North Sea	116,696	104,771	102,665	111,444
Indonesia	18,797	19,707	18,685	20,467
Malaysia	2,510	-	846	-

Sudan	54,342	46,435	52,560	44,825
	258,190	237,634	241,006	242,826

Natural gas (mmcf/d)				
Canada	810	747	797	750
North Sea	88	99	98	125
Indonesia	88	110	91	111
	986	956	986	986

Total mboe/d (6mcf=1boe)	422	397	405	407

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Total liquids production for the quarter was up 9% to 258,190 bbls/d. Malaysia contributed 2,510 bbls/d to the Company's average and 5,724 bbls/d during September. North Sea liquids production increased 11% with the Blake oil field commencing production in July and averaging 22,736 bbls/d (net to Talisman) in September. Beatrice also recommenced production at the beginning of July and Beaulieu contributed 6,899 bbls/d (net to Talisman). Production in Sudan was 17% higher than a year ago, with capacity expansions and the tie in of new wells.

Canadian gas production increased 8% over third quarter 2000, with the acquisition of Petromet Resources at the end of May 2001 and continued drilling success. North Sea gas production dropped 11% as a result of non-core property dispositions. Indonesian gas production reflects fluctuations in demand from Caltex and a lower recorded interest in the Corridor PSC. Talisman had been recording a 40% interest in the natural gas production of Corridor PSC. Effective January 1, 2001, the Pertamina "carry" was paid out and accordingly, Talisman's reported interest reverted to 36%.

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	Three months ended		Nine months ended	
	September 30		September 30	
Netbacks	2001	2000	2001	2000

Oil and liquids (\$/bbl)				
Sales price	35.33	42.37	36.76	39.57
Hedging expense (income)	(0.04)	3.89	0.07	2.99
Royalties	6.18	8.54	6.98	7.10
Operating costs	6.96	6.36	7.10	6.36
	22.23	23.58	22.61	23.12

Natural gas (\$/mcf)				
Sales price	3.66	4.48	5.88	3.86
Hedging expense (income)	(0.18)	0.23	0.13	0.13
Royalties	0.66	0.92	1.35	0.68
Operating costs	0.58	0.64	0.59	0.52
	2.60	2.69	3.81	2.53

Total \$/boe	19.63	20.56	22.69	19.88

Netbacks do not include synthetic oil and pipeline operations.

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A weakening global economy has been the catalyst for lower oil and natural gas prices. West Texas Intermediate (WTI) prices for the quarter averaged US\$26.57/bbl, down 16% from US\$31.68/bbl a year earlier. New York Mercantile Exchange (NYMEX) gas prices averaged US\$2.51/mcf during the quarter, down 45% from US\$4.56/mcf a year ago.

The Company's Canadian crude oil price in the third quarter of \$32.81/bbl (2000 - \$39.71/bbl) reflects the lower WTI price. Oil prices in the North Sea of \$37.16/bbl (2000 - \$42.28/bbl) and in Indonesia of \$38.01/bbl (2000 - \$46.24/bbl) are consistent with the movement in Brent and Minas oil prices. The Sudan oil price averaged \$33.36/bbl (2000 - \$44.62/bbl), also due to the decrease in the benchmark Minas price.

Talisman's Canadian natural gas prices averaged \$3.56/mcf in the third quarter (2000 - \$4.40/mcf) a decrease of 19%. This decrease relative to NYMEX was moderated by fixed price contracts. North Sea natural gas prices declined 7% over the same quarter in 2000 to average \$3.40/mcf due to lower spot prices. Indonesian natural gas prices dropped 15% to \$4.88/mcf from \$5.74/mcf in 2000 as a result of lower crude oil prices.

Talisman realized a hedging gain this quarter of \$0.44/boe versus a loss of \$2.87/boe in 2000. In the second quarter, the Company hedged substantially all of Petromet's production through 2003. Subsequent to quarter end, the Company unwound approximately one third of these natural gas hedges for proceeds of \$60.1 million. This amount will be amortized into income over the original term of the unwound hedges.

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Average royalty rates (%)	Three months ended		Nine months ended	
	September 2001	September 30 2000	September 2001	September 30 2000
Canada	21	24	25	23
North Sea	6	4	5	4
Indonesia	21	23	20	21
Malaysia	32	-	32	-
Sudan	35	45	40	39

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Canadian royalty rates have decreased with lower oil and natural gas prices. The North Sea rate increased temporarily due to the buyout of an overriding royalty obligation in the Brae field. Sudan royalties reflect lower crude oil prices, which decreased the amount of excess cost oil. The Malaysian structure is similar to Indonesia with royalties based on the government's share of profit oil, influenced by cost pools, production levels and prices.

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Operating costs (\$/boe)	Three months ended		Nine months ended	
	September 2001	September 30 2000	September 2001	September 30 2000
Canada	4.18	4.00	4.23	3.49

North Sea	9.00	8.46	9.13	8.12
Indonesia	5.03	4.01	5.08	3.82
Malaysia	8.32	-	8.32	-
Sudan	2.78	3.75	3.46	3.67
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	5.60	5.35	5.66	5.05
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Canadian liquids and natural gas operating costs for the quarter were \$5.12/bbl and \$0.62/mcf, respectively (\$4.12/bbl and \$0.66/mcf in 2000). Low cost Petromet volumes have reduced Talisman's overall unit gas costs in Canada. Higher liquids costs reflect the general increase experienced by the industry. North Sea unit operating costs have increased with industry activity levels but are down 8% from the previous quarter, which reflected field startup costs. Indonesian unit operating costs increased to \$5.03/boe (2000 - \$4.01/boe) due to higher maintenance costs at Jambi, workovers at Tanjung and lower volumes. Sudan unit operating costs decreased from the same quarter last year with cost reduction programs and higher volumes.

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Exploration and Development Expenditures (\$millions)	Three months ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
Canada	241.8	161.5	648.7	448.7
North Sea	153.2	69.6	466.9	204.3
Indonesia	22.1	27.0	56.1	50.6
Malaysia	13.1	-	13.1	-
Sudan	36.6	2.1	87.5	47.3
Other	21.9	4.3	64.7	30.8
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	488.7	264.5	1,337.0	781.7

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Third quarter exploration and development expenditures continued at levels nearly double those in the same quarter of 2000. In Canada, drilling costs increased to \$144.4 million from \$83.0 million in the third quarter of 2000. North Sea spending increased due to Blake, Beatrice and Hannay oil field development.

Construction of the Corridor gas processing plant expansion accounts for most of the Indonesian capital spending in 2001. In Sudan, capital expenditures relate to pipeline and central processing facilities upgrades and new field tie-ins.

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DDA(\$/boe)	Three months ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
Canada	8.54	7.03	7.85	6.76
North Sea	11.99	10.69	11.72	10.45
Indonesia	6.30	6.04	6.41	5.80
Malaysia	8.84	-	8.84	-
Sudan	3.93	4.79	3.97	4.75

8.85 7.79 8.36 7.64

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Unit depreciation, depletion and amortization (DDcosts are up \$1.06/boe. In Canada, the rate reflects increased land costs, the addition of midstream assets and the Petromet acquisition. In the North Sea, the DDARate includes charges related to increased Ross, Blake and Beatrice production. In Sudan, production increases and reserve additions reduced the rate.

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Taxes (\$ millions)	Three months ended		Nine months ended	
	September 2001	September 30 2000	September 2001	September 30 2000
Current income tax	82.6	95.7	276.4	230.0
Future income tax	(18.7)	29.1	89.9	123.0
Petroleum Revenue Tax	34.5	36.5	114.8	110.2
	98.4	161.3	481.1	463.2

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Current income taxes were down due to lower prices in the third quarter. This effect is partially offset by higher current taxes in Indonesia and Canada relative to last year, owing to the utilization of tax pools in prior periods.

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Other (\$ millions except where noted)	Three months ended		Nine months ended	
	September 2001	September 30 2000	September 2001	September 30 2000
GA(\$/boe)	0.64	0.54	0.71	0.60
Net property disposition (loss)				
gain	4.9	1.4	10.9	9.6
Interest costs				
capitalized	1.8	3.8	14.2	11.2
Dry hole expense	26.6	21.5	81.3	52.9
Other revenue	18.0	26.6	60.5	72.6

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General and administrative (Gexpenses per boe increased with higher staffing levels. Interest costs capitalized this quarter related to the PM3 development block in Malaysia. Dry hole expense rose due to an increase in exploration activities.

Long-term Debt

Current portion of long-term debt in the third quarter increased to \$362.4 million, primarily due to the inclusion of \$175 million of 8.06% medium term notes that are due in 2002. These notes are extendible to 2009 at the option of the holders. The remainder of the increase relates to a portion of the bridge facility used to finance the Lundin acquisition.

The Company repaid the balance outstanding under the Corridor loan facility on August 8, 2001, using existing revolving bank credit facilities. The repayment of the loan provides accelerated access to cash flow from the Corridor project that had been previously restricted under the terms of the loan agreement.

The early repayment of the loan resulted in a non-cash expense being recognized in the third quarter of \$16.6 million due to expensing deferred financing costs and foreign exchange losses.

Dividend on Common Shares

On September 19, Talisman declared its second semi-annual dividend of \$0.30/share on the Company's common shares. The dividend will be paid on December 31, 2001. The rate is currently \$0.60 per year and will be reviewed semi-annually by the Board of Directors.

Share Repurchase

During the first nine months, the Company, under a normal course issuer bid, repurchased 2.55 million shares for a total cost \$139.4 million, at an average price of \$54.74/share.

Petromet Acquisition

In May 2001, Talisman acquired Petromet Resources Limited for \$13.20/share for a total acquisition cost of \$822.9 million (including the assumption of approximately \$57 million of debt). The acquisition was financed through the use of available cash and existing credit facilities. This acquisition has increased natural gas production in Western Canada and is accretive to cash flow. Effective June 1, Talisman combined its Canadian oil and gas operations with the operations of Petromet into Talisman Energy Canada Partnership.

Lundin Acquisition

In August 2001, Talisman acquired Lundin Oil AB for SEK 36.50 (approximately \$5.27) per share for a total acquisition cost of \$504.8 million (net of cash on hand and including the assumption of \$70.2 million in debt). The acquisition was financed through bank credit facilities. The transaction did not include Lundin's assets in Sudan, Libya or Russia. The acquisition creates a new core area in offshore Malaysia and Vietnam, increased Talisman's working interest in Brae and Claymore, provided interests in other North Sea fields, as well as an operated interest in an undeveloped offshore gas field in Papua New Guinea.

Sudan

Recent US legislative initiatives may impact companies conducting oil and gas activities in Sudan. In this regard, Talisman has stated that it will remain in compliance with all US laws and intends to maintain access to US capital markets.

Sensitivities

Talisman's financial performance is impacted by factors such as changes in volumes, commodity prices and exchange rates. The only significant change from the analysis provided in the first quarter Talisman interim report relates to the financial impact of lower natural gas prices on a change in gas volumes. It is now estimated that a change of 10 mmcf/d in the fourth quarter will change cash flow by \$2.5 million.

Exploration and Operations Review

Canada

Canadian gas production averaged 810 mmcf/d during the quarter, 8% above last year (largely due to the Petromet acquisition) and 2% above the previous quarter. Despite these increases, extended turnarounds, facility constraints, wet weather and regulatory issues cost Talisman an estimated 38 mmcf/d of gas production during the quarter. Gas production during the fourth quarter is expected to average between 830-840 mmcf/d. Oil and liquids production has been relatively consistent.

During the third quarter, Talisman participated in 160 wells, of which 110 were operated. A total of 61 gas wells and 71 oil wells were drilled, resulting in an average success rate of 83%.

In the Alberta Foothills, the Chungo-Bighorn Pipeline was completed and started up on October 12, increasing total volumes to a record high 120 mmcf/d. A number of wells are planned on the Chungo trend, which could tie in to the Ram River processing plant or in the longer term, to Talisman midstream facilities. A total of 15 wells have been drilled in the Foothills this year with 100% success.

In the Lovett River Area, Talisman drilled a Turner Valley gas well TLM et al HZ Lovett River 7-31, (TLM 95.2 %) setting two Company records: the longest well drilled in Canada at 18,000 feet and the longest horizontal length drilled in the Alberta Foothills at 5,065 feet. Lovett River 7-31 produced at a rate of 23.3 mmcf/d on test. The well is currently being tied in and will be on stream before the end of November. In the Cordel Area, a well at 9-28 (TLM 100%) was brought on stream at a rate of 7.7 mmcf/d.

Petromet assets are currently producing 95 mmcf/d, although comingling continues to be an issue. Nine wells were drilled during the third quarter, with five currently on production, contributing combined production of 20.9 mmcf/d. One particular success was a Leduc well at Wild River 13-17 which is currently producing 7 mmcf/d.

Talisman has four operated drilling rigs currently active in the Greater Arch. A total of 83 wells (57.9 net) have been drilled to date in 2001, with 43 gas discoveries and 23 oil wells. At Whitecourt, Talisman has one operated and one non-operated rig drilling. To date, 48 (37.1 net) wells have been drilled and 39 have been cased, an 82% success rate. In Edson, 14 (7.5 net) wells have been drilled and all were cased. The TLM Edson Plante well (TLM 100%) tested 20 mmcf/d after completion on restricted flow test. In the Deep Basin, the Company has two non-operated drilling rigs active. To date in 2001, we have participated in 12 (4.7 net) exploration wells and all have been cased. The deep (Paleozoic) test at W.Sukunka b-79-J (TLM 40%) spud in early September and is currently drilling ahead towards the intermediate casing point.

In Chauvin, 90 wells have been drilled to date with a 99% success rate. Record oil production of 13,220 bbls/d was achieved in Chauvin during September. The Wainwright south gas project was also brought on stream in September, adding 2.5 mmcf/d of net gas production.

Ontario liquids production increased by 16% as our oil drilling program has been successful in the third quarter. On the gas side, expansion at the Morpeth plant and gathering system increased capacity by 44%, to 18 mmcf/d.

Talisman recorded 160 kilometres of seismic in the southern Northwest Territories to evaluate exploration potential on joint venture lands with our partner. Data is currently being processed.

North Sea

Oil and gas production from the North Sea was 131,000 boe/d during the third quarter, which was less than expected due to commissioning challenges at Blake/Ross, downtime at Claymore and delays to platform and drilling rig upgrades. Blake/Ross performance is improving with the result that Talisman's North Sea production averaged approximately 155,000 boe/d in October. Underlying reservoir performance is very good. Fourth quarter production is expected to average 165,000 boe/d. This is less than previously expected following delays in project activity at Halley and Hannay, and slippage in the drilling program.

After initial start up of Blake/Ross at the end of the second quarter, problems were experienced with the new gas sales compressors and an unexpected compatibility issue between reservoir fluids. These problems have now been resolved. With the completion of a sixth production well Blake is producing 55,000-60,000 bbls/d gross. During the third quarter, an appraisal well was spud on the Blake flank. This well was successful and has tested at over 5,000 bbls/d.

In the Buchan area, the coiled tubing sidetrack well reported in the second quarter has continued to produce at approximately 4,000 bbls/d. Coiled tubing drilling will restart with summer weather in 2002. The single Hannay development well was drilled during the third quarter and the reservoir is significantly better than expected. The drilling rig was moved at the end of September before the well was completed to allow the subsea pipeline to be laid. It is our intent to complete the well in December 2001 and start Hannay production in February 2002.

In the Clyde area, a new development well commenced production in August at an initial rate of 5,000 bbls/d and an additional well is currently drilling. Delays have been experienced in the Halley project due to rig refurbishment delays on the Fulmar platform. Refurbishment should be completed in November, with first production scheduled for April 2002.

In the Flotta Catchment Area, drilling rig refurbishments and upgrades have been completed after delays on the Piper, Tartan and Claymore platforms. The aggressive target set for rig refurbishment could not be delivered in the current overheated North Sea supply market. Sidetrack wells are currently drilling at Piper and Tartan and a drilling program will start at Claymore after two workovers. Development planning continues for the Kildrummy discovery, which was made earlier in 2001. The major regional 3D seismic survey has been completed. The Craigievar exploration well was plugged and abandoned.

In the Beatrice field, two sidetrack wells were completed with initial production rates of 4,000 bbls/d and 2,000 bbls/d. Production from these two wells has been limited due to problems with the submersible pumps. A third well is currently drilling.

The Beaully field, which started production in February 2001, has continued to produce in excess of 12,000 bbls/d from one well (TLM 60%).

Indonesia

At Ogan Komering, a second six well drilling program for 2001 was started. At the end of the quarter, nine wells had been completed, seven wells were successful and two wells were abandoned.

At Tanjung, the 2001 well stimulation and deepening program continues to be successful and net Talisman production increased

to 6,900 bbls/d.

At Corridor, the upstream development projects to supply increased gas to Caltex and to Singapore continued on schedule. The Suban 7 appraisal well was drilled successfully and will soon be tested. Negotiations to sell Corridor gas to Malaysia commenced. Corridor gas production was lower during the quarter with fluctuations in demand by Caltex, however, by the end of the quarter Talisman's share of production had returned to approximately 100 mmcf/d.

The Madura PSC was farmed out during the quarter; subject to Pertamina consent. Talisman will retain a 25% interest in the block.

Sudan

Talisman production in the third quarter increased to 54,342 bbls/d. Debottlenecking of the production facilities was completed to allow peak production of 230,000 bbls/d (gross). A successful drag reducer trial was conducted on the pipeline, which indicates pipeline capacity in excess of 230,000 bbls/d is possible.

The Bamboo field started production in July at 15,000 bbls/d and is expected to increase to 30,000 bbls/d in 2002, once additional facilities are completed. The Khairat field started production in August at 10,000 bbls/d.

Twelve wells were drilled during the third quarter, of which 10 were cased and two were plugged and abandoned.

Algeria

The MLN and MLN satellite fields project was approved for development and construction contracts awarded. First production is expected in the first quarter of 2003. Development of the Ourhoud field (TLM 2.009%) continued.

Two exploration/appraisal wells were drilled in the third quarter. MLSE-6 was cased and will be tested in the fourth quarter and Kermad-1 was plugged and abandoned.

Malaysia/Vietnam

The acquisition of Lundin Malaysia Limited and Lundin Vietnam Limited was completed at the end of August. Talisman has seconded a number of staff to this operation including the general manager.

In September, a sidetrack of the Bunga Kekwa A7 well (TLM 41.44%) was completed and added 4,000 bbls/d (gross) to production.

The acquisition from Fina Exploration Minh Hai B.V. of a 31.5% interest in the Vietnam Block 46 Cai Nuoc area, which contains an extension of the Bunga Kekwa field, was completed in early October.

The main PM-3 Commercial Arrangement Area Phase 2 construction project continues; first production is on schedule for the third quarter of 2003. During October, a successful appraisal well to the East Bunga Raya 1 sidetrack (which was drilled in April 2001) was drilled; this well confirms the oil leg found in East Bunga Raya 1 and planning for the development of the East Bunga Raya oil leg is underway.

On Block PM-305, an appraisal well to the small Ophir discovery was drilled with disappointing results. The well has been plugged and abandoned, with further field evaluation work underway.

Trinidad

The Government of Trinidad has announced that a consortium (TLM 30%) has been awarded Block 3a, approximately 25 miles off the coast of Trinidad. The Block is contiguous to the recent discovery well at Kairi on Block 2c, which was tested in August. Development planning for the discovery is underway. Details will be announced soon. Another exploration well (Canteen-1, TLM 25%) has spud with results expected shortly.

Colombia

Local communities have accepted the social investment program for the Acevedo Block. Line clearing for the seismic shoot has started and over 60% of permitting has been completed.

Talisman Energy Inc. is the largest independent Canadian oil and gas producer with operations in Canada, the North Sea, Indonesia, Sudan, Malaysia and Vietnam. Talisman is also conducting exploration in the United States, Algeria, Trinidad and Colombia. Talisman has adopted the International Code of Ethics for Canadian Business and is committed to maintaining high standards of excellence in corporate citizenship and social responsibility wherever it does business. The Company's shares are listed on The Toronto Stock Exchange in Canada and the New York Stock Exchange in the United States under the symbol TLM.

This press release contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995, including estimates of future production, cash flows and net income, business plans for drilling and exploration, anticipated completion dates and results of exploration, development, maintenance and refurbishment projects, the estimated amounts and timing of capital expenditures, the assumptions upon which estimates are based, and other expectations, beliefs, plans, objectives, assumptions or statements about future events or performance (often, but not always, using words such as "expects", "anticipates", "plans", "estimates", or "intends", or stating that certain actions, events or results "may", or "will" be taken, occur or be achieved). Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those, reflected in the statements. These risks include, but are not limited to: the risks of the oil and gas industry (for example, operational risks in 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 the uncertainty of estimates and projections relating to future production, costs and expenses; potential delays or changes in plans with respect to exploration, development maintenance or refurbishment projects or capital expenditures; and health, safety and environmental risks); uncertainties as to the availability and cost of financing; risks in conducting foreign operations (for example, political and fiscal instability or the possibility of civil unrest or military action in countries such as Indonesia, Sudan, Algeria or Colombia); the effect of United States sanctions against Sudan and the possibility of changes in U.S. law or policy with respect to companies doing business in Sudan; fluctuations in oil and gas prices and foreign currency exchange rates; and the possibility that government policies may change or governmental approvals may be delayed or withheld. Additional information on these and other factors, which could affect the Company's operations or financial results, are included in the Company's other reports on file with Canadian securities regulatory authorities and the United States Securities and Exchange Commission. Forward-looking statements are based on the estimates and opinions of the Company's management at the time the statements are made. The

Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

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Talisman Energy Inc.
Highlights

	Three months ended		Nine months ended	
	September 30 2001	September 30 2000	September 30 2001	September 30 2000
Financial (millions of Canadian dollars unless otherwise stated)				
Cash flow	587.0	579.3	1,991.6	1,723.4
Net income	155.5	217.8	738.2	637.9
Exploration and development expenditures	488.7	264.5	1,337.0	781.7
Per common share (dollars)				
Cash flow (1)	4.35	4.18	14.72	12.46
Net income (2)	1.11	1.53	5.33	4.49
Production (daily average production)				
Oil and liquids (bbls/d)				
Canada	63,194	64,081	63,411	63,522
North Sea	116,696	104,771	102,665	111,444
Indonesia	18,797	19,707	18,685	20,467
Malaysia	2,510	-	846	-
Sudan	54,342	46,435	52,560	44,825
Synthetic oil	2,651	2,640	2,839	2,568
Total oil and liquids	258,190	237,634	241,006	242,826
Natural gas (mmcf/d)				
Canada	810	747	797	750
North Sea	88	99	98	125
Indonesia	88	110	91	111
Total natural gas	986	956	986	986
Total mboe/d	422	397	405	407
Prices (3)				
Oil and liquids (\$/bbl)				
Canada	32.81	39.71	33.87	37.32
North Sea	37.16	42.28	38.70	39.98
Indonesia	38.01	46.24	39.67	41.96
Malaysia	36.78	-	36.78	-
Sudan	33.36	44.62	35.42	40.65
Crude oil and natural gas liquids				
gas liquids	35.33	42.37	36.76	39.57
Synthetic oil	37.80	46.25	41.33	43.19

Total oil and liquids	35.36	42.42	36.81	39.61

Natural gas (\$/mcf)				
Canada	3.56	4.40	6.16	3.72
North Sea	3.40	3.67	4.28	3.27
Indonesia	4.88	5.74	5.06	5.51

Total natural gas	3.66	4.48	5.88	3.86

Total (\$/boe) (includes synthetic)	30.16	36.17	36.17	32.98

/T/

(1) Cash flow per common share is calculated before deducting preferred security charges.

(2) Net income per common share is calculated after deducting preferred security charges.

(3) Prices are before hedging.

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Talisman Energy Inc.
Consolidated Balance Sheets

(millions of Canadian dollars)	September 30 2001	December 31 2000

Assets		
Current		
Cash	\$ 37.8	\$ 76.0
Accounts receivable	719.6	842.7
Inventories	105.9	103.3
Prepaid expenses	31.1	20.0

	894.4	1,042.0

Accrued employee pension benefit asset	51.4	52.3
Other assets	117.9	80.8
Property, plant and equipment	10,090.0	7,500.6

	10,259.3	7,633.7

Total assets	\$ 11,153.7	\$ 8,675.7

Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 912.3	\$ 1,031.1
Income and other taxes payable	198.3	250.4
Current portion of long-term debt	362.4	30.4

	1,473.0	1,311.9

Deferred credits	23.6	44.3
Provision for future site restoration	588.6	497.6

Long-term debt	2,506.2	1,702.9
Future income taxes	2,313.5	1,455.4
	5,431.9	3,700.2
Shareholders' equity		
Preferred securities	430.6	430.6
Common shares	2,837.4	2,848.6
Contributed surplus	77.0	76.6
Retained earnings	903.8	307.8
	4,248.8	3,663.6
Total liabilities and shareholders' equity	\$ 11,153.7	\$ 8,675.7

See accompanying notes.

Interim statements are not independently audited.

Talisman Energy Inc.
Consolidated Statements of Income

	Three months ended		Nine months ended	
	September 30		September 30	
	2001	2000	2001	2000
(millions of Canadian dollars September except per share amounts)				
Revenue				
Gross sales	\$ 1,188.8	\$ 1,216.9	\$ 3,964.2	\$ 3,447.0
Less royalties	207.0	268.2	820.6	659.5
Net sales	981.8	948.7	3,143.6	2,787.5
Other	18.0	26.6	60.5	72.6
Total revenue	999.8	975.3	3,204.1	2,860.1
Expenses				
Operating	235.5	206.8	675.0	601.4
General and administrative	24.9	19.9	78.6	66.6
Depreciation, depletion and amortization	343.8	284.6	925.5	852.6
Dry hole	26.6	21.5	81.3	52.9
Exploration	46.9	26.4	104.4	65.5
Interest on long-term debt	43.6	34.1	102.5	103.7
Other	24.6	2.9	17.5	16.3
Total expenses	745.9	596.2	1,984.8	1,759.0
Income before taxes	253.9	379.1	1,219.3	1,101.1
Taxes				
Current income tax	82.6	95.7	276.4	230.0
Future income tax (recovery)	(18.7)	29.1	89.9	123.0
Petroleum revenue tax	34.5	36.5	114.8	110.2
	98.4	161.3	481.1	463.2

Net income	155.5	217.8	738.2	637.9
Preferred security charges, net of tax	5.8	5.6	17.4	16.7
Net income available to common shareholders \$	149.7	\$ 212.2	\$ 720.8	\$ 621.2
Per common share (dollars)				
Net income	\$ 1.11	\$ 1.53	\$ 5.33	\$ 4.49
Diluted net income	1.09	1.51	5.23	4.43
Average number of common shares outstanding (millions)				
Basic	135.1	138.4	135.3	138.3
Diluted	137.1	140.8	137.8	140.3

Consolidated Statements of Retained Earnings

	Three months ended		Nine months ended	
	September 30 2001	September 30 2000	September 30 2001	September 30 2000
(millions of Canadian dollars)				
Retained earnings (deficit), beginning of period	\$ 803.0	\$ (56.2)	\$ 307.8	\$ 212.2
Net income	155.5	217.8	738.2	637.9
Adoption of new income tax accounting policy	-	-	-	(670.4)
Common share dividends	-	-	(40.6)	-
Purchase of common shares	(48.9)	(43.0)	(84.2)	(50.0)
Preferred security charges, net of tax	(5.8)	(5.6)	(17.4)	(16.7)
Retained earnings, end of period	\$ 903.8	\$ 113.0	\$ 903.8	\$ 113.0

Talisman Energy Inc.

Consolidated Statements of Cash Flows

	Three months ended		Nine months ended	
	September 30 2001	September 30 2000	September 30 2001	September 30 2000
(millions of Canadian dollars)				
Operating				
Net income	\$ 155.5	\$ 217.8	\$ 738.2	\$ 637.9
Items not involving current cash flow	384.6	335.1	1,149.0	1,020.0
Exploration	46.9	26.4	104.4	65.5

Cash flow	587.0	579.3	1,991.6	1,723.4
Changes in non-cash working capital	(189.4)	117.3	(193.0)	274.6

Cash provided by operating activities	397.6	696.6	1,798.6	1,998.0

Investing				
Corporate acquisitions	(434.6)	-	(1,204.3)	-
Capital expenditures				
Exploration, development and corporate	(494.8)	(267.6)	(1,357.9)	(784.5)
Acquisitions	(16.6)	(144.5)	(147.3)	(448.9)
Proceeds of dispositions				
Resource properties	8.6	5.7	32.7	45.0
Investments	-	0.2	-	0.2
Changes in non-cash working capital	85.1	(53.6)	82.0	(414.4)

Cash used in investing activities	(852.3)	(459.8)	(2,594.8)	(1,602.6)

Financing				
Long-term debt repaid	(3,797.3)	(822.7)	(4,952.1)	(2,016.2)
Long-term debt issued	4,383.9	630.6	5,897.7	1,670.0
Common shares				
(purchased) issued	(74.3)	(63.8)	(95.0)	(56.8)
Common share dividends	-	-	(40.6)	-
Preferred security charges	(10.3)	(10.0)	(31.0)	(29.8)
Deferred credits and other	(1.5)	(43.6)	(20.7)	(38.7)
Changes in non-cash working capital	(0.1)	22.1	(0.3)	22.3

Cash provided by (used in) financing activities	500.4	(287.4)	758.0	(449.2)

Net increase (decrease) in cash	45.7	(50.6)	(38.2)	(53.8)
Cash (bank indebtedness), beginning of period	(7.9)	50.8	76.0	54.0

Cash, end of period \$	37.8	\$ 0.2	\$ 37.8	\$ 0.2

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(tabular amounts in millions of Canadian dollars ("\$\$") except as noted)

The Interim Consolidated Financial Statements of Talisman Energy Inc. ("Talisman" or the "Company") have been prepared by management in accordance with accounting principles generally accepted in Canada. Certain information and disclosures normally required to be included in notes to annual consolidated financial statements has been condensed or omitted. The Interim

Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes thereto in Talisman's Annual Report for the year ended December 31, 2000.

SIGNIFICANT ACCOUNTING POLICIES

The Interim Consolidated Financial Statements have been prepared following the same accounting policies and methods of computation as the Consolidated Financial Statements for the year ended December 31, 2000.

SHARE CAPITAL

Talisman's authorized share capital consists of an unlimited number of common shares without nominal or par value and first and second preferred shares. No preferred shares have been issued.

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Continuity of common shares (year to date)	2001	
	Shares	Amount
Balance at January 1, 2001	135,344,045	\$ 2,848.6
Issued upon exercise of stock options	1,388,196	44.5
Purchased and cancelled during period	(2,547,500)	(53.9)
Cancelled pursuant to terms of Plans of Arrangements	(87,361)	(1.8)
Balance at September 30, 2001	134,097,380	2,837.4

/T/

During the nine months ended September 30, 2001 Talisman repurchased 2,547,500 common shares of the Company pursuant to a normal course issuer bid renewed in February, 2001 for a total cost of \$139.4 million. Talisman may repurchase up to 6,751,897 common shares representing 5% of the outstanding common shares of the Company at the time the normal course issuer bid was renewed.

Talisman has cancelled 87,361 common shares of the Company pursuant to the terms of the offering agreements of certain past corporate acquisitions. As a result of the cancellation of these shares \$1.8 million has been credited to contributed surplus.

Talisman has stock option plans that allow employees and directors to receive options to purchase common shares of the Company. Options granted under the plans are generally exercisable after three years and expire ten years after the grant date. Option exercise prices approximate the market price for the common shares on the date the options are issued.

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Continuity of stock options (year to date)	2001	
	Number Of Options	Average Exercise Price
Outstanding at January 1, 2001	6,854,806	\$ 33.84
Granted	2,249,145	58.52
Exercised	1,388,196	32.05
Expired	135,510	44.46
Outstanding at September 30, 2001	7,580,245	41.30

Exercisable at September 30, 2001	3,368,124	34.79
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ACQUISITIONS

PETROMET RESOURCES LIMITED

In May 2001, Talisman acquired Petromet Resources Limited, an oil and gas exploration and development company, for \$765.9 million and long-term debt assumed of \$57.0 million. The acquisition has been accounted for using the purchase method and the results have been included in these financial statements from the date of acquisition.

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Net Assets Acquired

Property, plant and equipment	\$	1,301.6
Inventory		3.0
Net non-cash working capital		(1.1)
Future income tax		(476.8)
		826.7
Less acquisition costs		(3.8)
	\$	822.9

/T/

The allocation of the purchase price has been done on a preliminary basis.

LUNDIN OIL AB

In August 2001, Talisman acquired Lundin Oil AB, an oil and gas exploration and development company, for \$434.6 million (net of cash on hand) and long-term debt assumed of \$70.2 million. The acquisition has been accounted for using the purchase method and the results have been included in these financial statements from the date of acquisition.

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Net Assets Acquired

Property, plant and equipment	\$	796.8
Inventory		3.0
Net non-cash working capital		(7.7)
Future income tax		(263.9)
		528.2
Less acquisition costs		(23.4)
	\$	504.8

/T/

The allocation of the purchase price has been done on a preliminary basis.

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Talisman Energy Inc.
Segmented Information

(millions of
Canadian dollars)

	Canada	Indonesia	Sudan	Total			
	North Sea	Malaysia	Other				
----- Three months ended September 30, 2001 -----							
Total revenue	\$ 388.8	\$ 412.5	\$ 83.1	\$ 6.1	\$ 109.0	\$ 0.3	\$ 999.8
Segmented expenses	303.5	275.0	49.0	7.5	34.4	8.0	677.4
Segmented income (loss)	85.3	137.5	34.1	(1.4)	74.6	(7.7)	322.4
General and administrative expense							24.9
Interest on long-term debt							43.6
Income before taxes							\$ 253.9
----- Three months ended September 30, 2000 -----							
Total revenue	\$ 377.1	\$ 407.1	\$ 102.9	\$ -	\$ 88.3	\$ (0.1)	\$ 975.3
Segmented expenses	224.3	214.6	55.6	-	39.2	8.5	542.2
Segmented income (loss)	152.8	192.5	47.3	-	49.1	(8.6)	433.1
General and administrative expense							19.9
Interest on long-term debt							34.1
Income before taxes							\$ 379.1
----- Nine months ended September 30, 2001 -----							
Total revenue	\$1,462.0	\$1,169.4	\$ 261.3	\$ 6.1	\$ 305.1	\$ 0.2	\$3,204.1
Segmented expenses	784.0	722.9	121.3	7.5	139.4	28.6	1,803.7
Segmented income (loss)	678.0	446.5	140.0	(1.4)	165.7	(28.4)	1,400.4
General and administrative expense							78.6
Interest on long-term debt							102.5
Income before taxes							\$1,219.3
----- Nine months ended September 30, 2000 -----							
Total revenue	\$1,041.5	\$1,247.5	\$ 301.6	\$ -	\$ 268.1	\$ 1.4	\$2,860.1

Segmented expenses	605.8	727.3	124.9	-	110.9	19.8	1,588.7
Segmented income (loss)	435.7	520.2	176.7	-	157.2	(18.4)	1,271.4
General and administrative expense							66.6
Interest on long-term debt							103.7
Income before taxes							\$1,101.1
Segmented assets	\$5,539.7	\$3,240.5	\$ 700.0	\$ 632.2	\$825.9	\$164.0	\$11,102.3
Corporate assets							51.4
Total assets at September 30, 2001							\$11,153.7
Segmented assets	\$4,057.1	\$2,873.1	\$ 714.4	\$ -	\$824.6	\$101.4	\$ 8,570.6
Corporate assets							105.1
Total assets at December 31, 2000							\$ 8,675.7

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Talisman Energy Inc. Consolidated Financial Ratios

The following financial ratios are provided in connection with the Company's continuous offering of medium term notes pursuant to the short form prospectus dated April 7, 2000 and a prospectus supplement dated April 10, 2000, and are based on the corporation's consolidated financial statements that are prepared in accordance with accounting principles generally accepted in Canada.

The asset coverage ratios are calculated as at September 30, 2001.

The interest coverage ratios are for the 12 month period then ended.

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	September 30 2001	
Interest coverage (times)		
Income	10.98	1
Cash flow	20.83	2
Asset coverage (times)		
Before deduction of future income taxes and deferred credits	3.50	3
After deduction of future income taxes and deferred credits	2.48	4

/T/

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

the sum of interest expense and capitalized interest.

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

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Talisman Energy Inc.
Product Netbacks

	Three months ended		Nine months ended	
	September 30 2001	September 30 2000	September 30 2001	September 30 2000

Canada				
Oil and liquids (\$/bbl)				
Sales price	32.81	39.71	33.87	37.32
Hedging	(0.03)	3.85	0.07	2.99
Royalties	7.34	9.38	7.65	8.70
Operating costs	5.12	4.12	5.02	3.94
	-----	-----	-----	-----
	20.38	22.36	21.13	21.69

Natural gas (\$/mcf)				
Sales price	3.56	4.40	6.16	3.72
Hedging	(0.22)	0.29	0.16	0.17
Royalties	0.74	1.08	1.60	0.83
Operating costs	0.62	0.66	0.64	0.54
	-----	-----	-----	-----
	2.42	2.37	3.76	2.18

North Sea				
Oil and liquids (\$/bbl)				
Sales price	37.16	42.28	38.70	39.98
Hedging	(0.02)	3.94	0.08	2.99
Royalties	2.06	1.73	1.96	1.55
Operating costs	9.92	9.05	10.23	9.03
	-----	-----	-----	-----
	25.20	27.56	26.43	26.41

Natural gas (\$/mcf)				
Sales price	3.40	3.67	4.28	3.27
Hedging	-	-	-	-
Royalties	0.43	0.12	0.28	0.10
Operating costs	0.27	0.80	0.36	0.54
	-----	-----	-----	-----
	2.70	2.75	3.64	2.63

Indonesia				
Oil and liquids (\$/bbl)				
Sales price	38.01	46.24	39.67	41.96
Hedging	(0.03)	3.91	0.08	2.99
Royalties	11.37	14.60	11.97	13.18
Operating costs	6.62	5.53	7.18	5.24
	-----	-----	-----	-----
	20.05	22.20	20.44	20.55

Natural gas (\$/mcf)				

Sales price	4.88	5.74	5.06	5.51
Hedging	0.01	0.05	0.01	0.04
Royalties	0.24	0.57	0.25	0.36
Operating costs	0.50	0.40	0.42	0.38
	4.13	4.72	4.38	4.73

Malaysia				
Oil (\$/bbl)				
Sales price	36.78	-	36.78	-
Hedging	(1.41)	-	(1.41)	-
Royalties	11.67	-	11.67	-
Operating costs	8.32	-	8.32	-
	18.20	-	18.20	-

Sudan				
Oil (\$/bbl)				
Sales price	33.36	44.62	35.42	40.65
Hedging	(0.03)	3.82	0.08	3.00
Royalties	11.62	20.17	14.11	15.87
Operating costs	2.78	3.75	3.46	3.67
	18.99	16.88	17.77	18.11

Total Company				
Oil and liquids (\$/bbl)				
Sales price	35.33	42.37	36.76	39.57
Hedging	(0.04)	3.89	0.07	2.99
Royalties	6.18	8.54	6.98	7.10
Operating costs	6.96	6.36	7.10	6.36
	22.23	23.58	22.61	23.12

Natural gas (\$/mcf)				
Sales price	3.66	4.48	5.88	3.86
Hedging	(0.18)	0.23	0.13	0.13
Royalties	0.66	0.92	1.35	0.68
Operating costs	0.58	0.64	0.59	0.52
	2.60	2.69	3.81	2.53

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Netbacks do not include synthetic oil or pipeline operations.

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