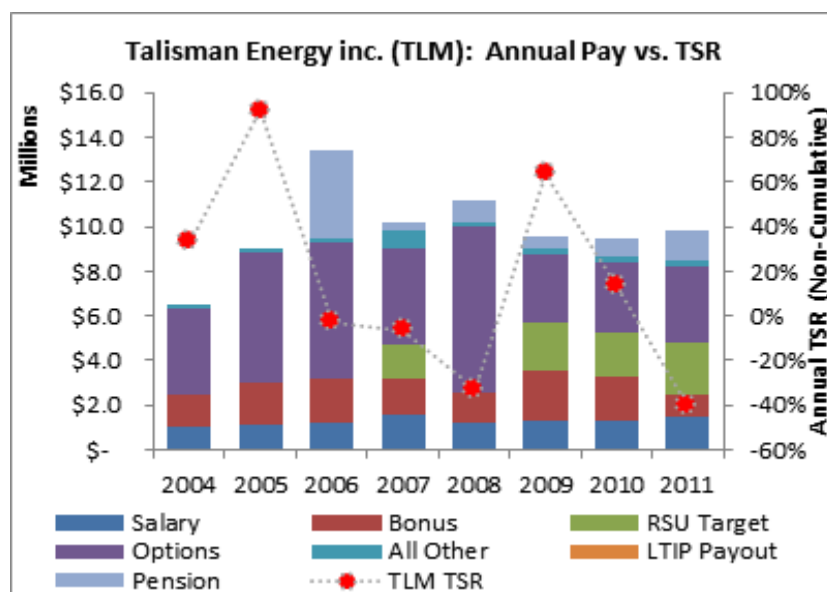
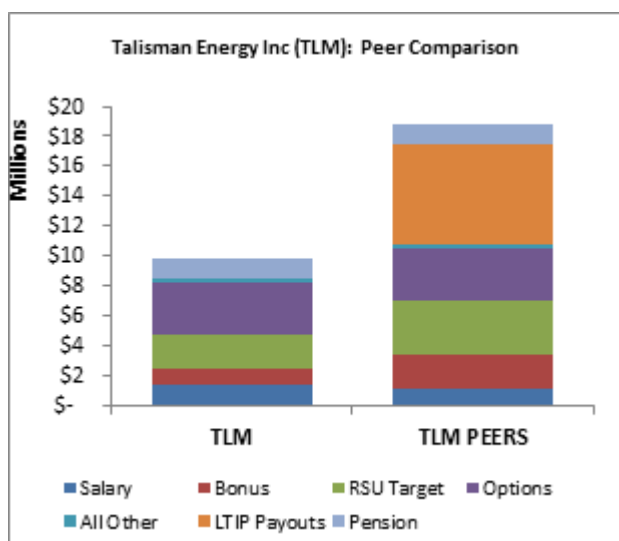


Talisman Energy Inc (TLM): 2004-2011 Pay for Performance

PAY FOR PERFORMANCE SCORE				
1 YEAR = 0	4 YEAR = 2	6 YEAR = 3	8 YEAR = 8	TOTAL: 13/24

TLM's CEO pay has been very stable over our 8-year observation, despite the introduction of Restricted Stock in 2007. Between 2007 and 2011, variance in bonus and PSU grants tends to be offset by changes in option grants, resulting in very little fluctuation regardless of performance. As a result, **TLM's 8-year CEO pay change was 2.4%, among the flattest in our TSX 60 sample. Except for our 1-year observation, TLM's pay and TSR have tended to move in the same direction, although not always very closely.** This resulted in a Pay for Performance Score of 13/24.

In 2011, TLM's TSR of -40% ranked last among its 11 peers. While bonus awards decreased compared to 2010, when TSR was positive, this decrease was offset by increases to PSU and option grants, resulting in a year-over-year change in total CEO pay of +3.3%. TLM's total CEO pay ranked 6th out of 11 peers in 2011.



COMPANY'S DISCLOSED PEER FIRMS	
TICKER	NAME
TSE:HSE	Husky Energy Inc.
TSE:IMO	Imperial Oil Limited
NYSE:MRO	Marathon Oil Corporation
NYSE:MUR	Murphy Oil Corporation
TSE:NXY	Nexen Inc.
NYSE:NBL	Noble Energy Inc.
NYSE:OXY	Occidental Petroleum Corporation
NYSE:SWN	Southwestern Energy Company
TSE:SU	Suncor Energy Inc
TSE:TRP	TransCanada Corp.

FY 2011 FINANCIAL PERFORMANCE RANKINGS						
#	PEER	TSR	PEER	ROE	PEER	ROA
1	NYSE:MRO	33.8%	TSE:IMO	25.3%	TSE:IMO	13.3%
2	TSE:TRP	21.9%	NYSE:OXY	17.6%	NYSE:OXY	11.0%
3	TSE:IMO	12.9%	NYSE:MRO	17.2%	NYSE:MRO	9.4%
4	NYSE:NBL	10.6%	NYSE:SWN	16.1%	NYSE:SWN	8.1%
5	NYSE:OXY	-2.6%	TSE:HSE	12.7%	TSE:HSE	6.8%
6	TSE:HSE	-3.4%	TSE:SU	11.2%	NYSE:MUR	6.2%
7	NYSE:SWN	-14.7%	NYSE:MUR	9.9%	TSE:SU	5.8%
8	TSE:SU	-22.3%	TSE:TRP	9.5%	TSE:NXY	3.5%
9	NYSE:MUR	-23.9%	TSE:NXY	8.3%	TSE:TLM	3.1%
10	TSE:NXY	-28.2%	TSE:TLM	7.6%	TSE:TRP	3.1%
11	TSE:TLM	-40.3%	NYSE:NBL	6.2%	NYSE:NBL	2.8%

CEO COMPENSATION RANKINGS AGAINST COMPANY'S DISCLOSED PEER FIRMS										
	PEER	TOTAL PAY	PEER	SALARY	PEER	BONUS	PEER	TOTAL CASH	PEER	TOTAL EQUITY
1	NYSE:MRO	\$32,764,713	TSE:SU	\$1,483,846	NYSE:OXY	\$4,648,625	NYSE:OXY	\$5,901,447	NYSE:OXY	\$12,857,964
2	NYSE:OXY	\$26,299,145	TSE:TLM	\$1,481,077	TSE:SU	\$3,060,000	TSE:SU	\$4,543,846	TSE:SU	\$11,621,931
3	TSE:SU	\$17,287,193	TSE:HSE	\$1,459,625	NYSE:MRO	\$2,967,208	NYSE:MRO	\$4,351,904	NYSE:MRO	\$7,906,196
4	NYSE:MUR	\$14,303,525	NYSE:MRO	\$1,384,697	NYSE:MUR	\$2,472,673	TSE:HSE	\$3,759,625	NYSE:MUR	\$7,315,551
5	NYSE:NBL	\$12,150,665	TSE:NXY	\$1,331,250	TSE:HSE	\$2,300,000	NYSE:MUR	\$3,736,209	NYSE:NBL	\$7,055,650
6	TSE:TLM	\$9,788,028	NYSE:MUR	\$1,263,536	NYSE:NBL	\$1,835,960	NYSE:NBL	\$2,893,986	TSE:TLM	\$5,749,815
7	TSE:HSE	\$7,050,398	NYSE:OXY	\$1,252,821	NYSE:SWN	\$1,409,424	TSE:TLM	\$2,490,767	TSE:TRP	\$3,587,345
8	TSE:TRP	\$6,862,716	TSE:TRP	\$1,083,338	TSE:TRP	\$1,350,000	TSE:TRP	\$2,433,338	NYSE:SWN	\$3,033,707
9	NYSE:SWN	\$6,232,421	NYSE:NBL	\$1,058,026	TSE:TLM	\$1,009,690	NYSE:SWN	\$2,200,679	TSE:HSE	\$3,027,750
10	TSE:NXY	\$5,003,511	NYSE:SWN	\$791,255	TSE:IMO	\$362,604	TSE:NXY	\$1,331,250	TSE:IMO	\$2,192,320
11	TSE:IMO	\$4,348,470	TSE:IMO	\$524,223	TSE:NXY	\$0	TSE:IMO	\$886,827	TSE:NXY	\$1,823,834

PAY FOR PERFORMANCE SCORING

For 2012, the Clarkson Centre for Board Effectiveness (CCBE), prepared a Pay for Performance report for each firm currently listed on the TSX 60 Index that has at least 8 years of historical compensation or share price data available. The CCBE's Performance Score measures how closely CEO pay and TSR are aligned over four different time horizons. Compensation data is gathered from the firm's public filings, and valued at the time of grant. Options are valued using the binomial tree fair value method, and PSUs are valued at the grant date value of the target payout. TSR is calculated using a 30-day average start and end date share price, and assumes the reinvestment of dividends.

CCBE collected pay and performance data for up to ten peer companies for each TSX 60 constituent. Peer companies were selected from each TSX 60 constituent's performance benchmarking peer group, as disclosed in its most recent Management Information Circular. If a performance peer group was not disclosed, the CCBE collected information on the disclosed constituents of the total pay benchmarking peer group. If a peer group had more than 10 constituents, we randomly selected ten from among the disclosed list.

Our Pay for Performance Score takes into account alignment between change in CEO pay and TSR in 1-, 4-, 6- and 8-year observations. CEO pay change is 'smoothed' to account for outlying years. For example, in our 8-year observation we calculate CEO pay change as the percent change of the sum of total CEO pay from 2004-2007 against the sum of total CEO pay from 2008-2011. This helps to normalize our longer observations for unusual events like CEO turnover and large one-time payouts. The Pay for Performance Score gives significantly more weight to longer-term observations than shorter ones.

1-YEAR SCORE	4-YEAR SCORE	6-YEAR SCORE	8-YEAR SCORE
A = 3	A = 4	A = 7	A = 10
B = 3	B = 3	B = 5	B = 8
C = 2	C = 2	C = 3	C = 5
D = 1	D = 1	D = 1	D = 3
E = 0	E = 0	E = 0	E = 0

