

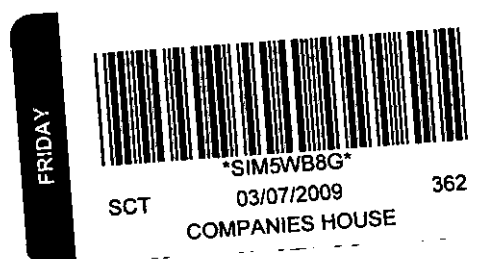
TEAKAN INVESTMENTS LIMITED

Financial Statements

For the year ended 31 December 2008

Registered in Bermuda: 34525

UNAUDITED



Teakan Investments Limited

Directors' report

The directors present their annual report together with the financial statements of Teakan Investments Limited ("the company") for the year to 31 December 2008.

Results and dividends

The profit for the year after taxation amounted to £3.3 million (2007: £2.9 million). The directors do not propose to declare a dividend in 2008.

Principal activity and review of the business

The principal activity of the company is to act as an investment company.

Future Developments

As part of a corporate structure simplification project the directors are reviewing the future of the company with a view to liquidation.

Directors

The directors who held office during the year and up to the date of signing were as follows:

N. J. R. Walker
J. F. Craw
N. W. Ainsley (appointed 6 January 2009)
D. P. Mithen (resigned 5 January 2009)

Company Secretary:
K. Woollery

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

By the order of the board



N.W. Ainsley
Director
19 June 2009

Registered Office
Canon's Court
22 Victoria Street
Hamilton
Bermuda, HM 12

Teakan Investments Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Teakan Investments Limited

Profit and loss account

For the year ended 31 December 2008
(unaudited)

	<u>Note</u>	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Administrative expenses		<u>(3)</u>	<u>(17)</u>
Operating loss		(3)	(17)
Interest receivable and similar income	3	3,293	3,316
Interest payable and similar expense	4	<u>(18)</u>	<u>(20)</u>
Profit on ordinary activities before taxation		3,272	3,279
Taxation on profit on ordinary activities	5	<u>-</u>	<u>(394)</u>
Profit for the financial year		<u><u>3,272</u></u>	<u><u>2,885</u></u>

Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit for the year of £3,272,000 (2007: £2,885,000).

Teakan Investments Limited

Balance sheet as at 31 December 2008 (unaudited)

	<u>Note</u>	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Fixed assets			
Investments	6	<u>331,168</u>	<u>331,168</u>
Current assets			
Debtors - amounts falling due within one year	7	56,962	53,641
Current liabilities			
Creditors - amounts falling due within one year	8	<u>(850)</u>	<u>(801)</u>
Net current assets		<u>56,112</u>	<u>52,840</u>
Net assets		<u>387,280</u>	<u>384,008</u>
Capital and reserves			
Called up share capital	9	370,531	370,531
Other reserves	10	(127)	(127)
Profit and loss account	10	<u>16,876</u>	<u>13,604</u>
Total shareholder's funds		<u>387,280</u>	<u>384,008</u>

The financial statements were approved by the board of directors on 19 June 2009 and were signed on its behalf by:



N.W. Ainsley
Director



N.J.R. Walker
Director

Teakan Investments Limited

Statement of Cash Flows

For the year ended 31 December 2008
(unaudited)

	2008 <u>£'000</u>	2007 <u>£'000</u>
Profit for the financial period	3,272	2,885
Changes in working capital		
Increase in debtors	(3,321)	(3,323)
Increase in creditors	<u>49</u>	<u>438</u>
Change in cash and cash flow from operating activities	-	-
Cash, 1 January	<u>-</u>	<u>-</u>
Cash, 31 December	<u><u>-</u></u>	<u><u>-</u></u>

Teakan Investments Limited

Notes to the financial statements (unaudited)

1. Accounting Policies

(a) Accounting convention

These non-consolidated financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. In accordance with Section 228a (as amended) of The Companies Act 1985, the company is exempt from preparing group financial statements as it is the wholly owned subsidiary of a group whose consolidated accounts are prepared in a manner equivalent to consolidated accounts drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC).

(b) Corporation tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(c) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account

(d) Interest

Interest on loans to group companies is credited to income as accrued, and is recorded gross of withholding tax.

(e) Investments

Investments are held at cost less provision for impairment.

Teakan Investments Limited

Notes to the financial statements (continued) (unaudited)

2. Directors' remuneration

The directors of the company are also directors of the UK parent company, Talisman Energy (UK) Limited and fellow subsidiaries. The directors received total remuneration for the year of £1.0 million (2007: £1.0 million), all of which was paid by the UK parent company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the UK parent company and fellow subsidiaries.

3. Interest receivable and similar income

	2008	2007
	<u>£'000</u>	<u>£'000</u>
Interest on loan to associated company	<u>3,293</u>	<u>3,316</u>

4. Interest payable and similar expense

	2008	2007
	<u>£'000</u>	<u>£'000</u>
Intercompany interest	<u>18</u>	<u>20</u>

Teakan Investments Limited

Notes to the financial statements (continued) (unaudited)

5. Tax on profit on ordinary activities

	2008 £'000	2007 £'000
Analysis of the charge in the period		
Current corporation tax:		
- adjustments in respect of prior years	-	394
Tax on profit on ordinary activities	-	394
Company profit on ordinary activities before tax:	3,272	3,279
Tax on ordinary activities at 30% (2007: 30%)	244	983
Tax on ordinary activities at 28% (From 1 April 28%)	688	-
	932	983
Effects of:		
Group relief	(932)	(983)
Adjustments in respect of prior years	-	394
	-	394

The Finance Act 2007 amended the rate of corporation tax from 30% to 28% with effect from the financial year 2008.

6. Investments

	2008 £'000	2007 £'000
Shares in associate undertakings		
Cost	331,168	331,168

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>% Voting rights and shares held</u>	<u>Nature of business</u>
-- Talisman Energy Resources Limited	England & Wales	Ordinary shares	30%	Investment company
-- Paladin Resources Limited	Scotland	Ordinary shares	100%@	Investment company

Teakan Investments Limited

Notes to the financial statements (continued) (unaudited)

6. Investments (continued)

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>% Voting rights and shares held</u>	<u>Nature of business</u>
--Aberdeen Petroleum Limited (in liquidation)	Scotland	Ordinary shares	100%P	Investment company
--- Pittencrieff Resources, Inc.	Nevada, US	Ordinary shares	100%*	Non-trading
---- Pittencrieff America, Inc.	Nevada, US	Ordinary shares	100%**	Non-trading
-- MacNamee Services Limited (in liquidation)	Scotland	Ordinary shares	100%P	Non-trading
-- Owl Creek Investments Limited (in liquidation)	England & Wales	Ordinary shares	100%P	Investment company
-- Talisman Oil & Gas (Australia) Pty Limited	Australia	Ordinary shares	100%P	Exploration, development and production of oil and gas
--- Talisman Resources (JPDA 06-105) Pty Limited	Australia	Ordinary shares	100%‡	Exploration, development and production of oil and gas
-- Talisman Resources (Bahamas) Limited	Bahamas	Ordinary shares	100%P	Exploration, development and production of oil and gas
-- Talisman Resources (Gabon) Limited	England & Wales	Ordinary shares	100%P	Non-trading
-- Talisman Resources (Norway) Limited	England & Wales	Ordinary shares	100%P	Investment company
-- Talisman UK (South East Sumatra) Limited	England & Wales	Ordinary shares	100%P	Exploration, development and production of oil and gas
--- Fortuna Resources (Sunda) Limited	British Virgin Islands	Ordinary shares	100%^	Exploration, development and production of oil and gas

Teakan Investments Limited

Notes to the financial statements (continued) (unaudited)

6. Investments (continued)

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>% Voting rights and shares held</u>	<u>Nature of business</u>
---- Fortuna Resources (Jawa) Limited	British Virgin Islands	Ordinary shares	100%^	Dormant
--- Talisman Resources (North West Java) Limited	England & Wales	Ordinary shares	100%^	Exploration, development and production of oil and gas
-- Talisman Resources (Tunisia) Limited	England & Wales	Ordinary shares	100%P	Exploration, development and production of oil and gas
-- Talisman Production Norge AS	Norway	Class B shares	100% (78% voting rights)+	Investment company
-- Talisman Energy Norge AS	Norway	Ordinary shares	20%#	Exploration, development and production of oil and gas
--- Talisman Resources Norge AS	Norway	Ordinary shares	100%~	Dormant
--- Talisman Energy Danmark AS	Norway	Ordinary shares	100%~	Exploration, development and production of oil and gas

@	held by Talisman Energy Resources Limited
P	held by Paladin Resources Limited
*	held by Aberdeen Petroleum Limited
**	held by Pittencrieff Resources, Inc.
÷	held by Talisman Oil & Gas (Australia) Pty Limited
^	held by Talisman UK (South East Sumatra) Limited
^^	held by Fortuna Resources (Sunda) Limited
+	held by Talisman Resources (Norway) Limited
#	held by Talisman Production Norge AS
~	held by Talisman Energy Norge AS

Teakan Investments Limited

Notes to the financial statements (continued) (unaudited)

7. Debtors – amounts falling due within one year

	2008 <u>£'000</u>	2007 <u>£'000</u>
Amounts due from subsidiary undertaking	56,941	53,641
Prepayments	<u>21</u>	<u>-</u>
	<u>56,962</u>	<u>53,641</u>

Amounts due from subsidiary undertaking includes a loan of £56.8 million which is repayable on demand and bears interest at Sterling LIBOR plus 0.78%. The balance due from the subsidiary undertaking at 31 December 2008 represents principal of £53.5 million plus accrued interest.

8. Creditors – amounts falling due within one year

	2008 <u>£'000</u>	2007 <u>£'000</u>
Amounts due to immediate parent undertaking	850	378
Accruals	-	15
Taxes payable	<u>-</u>	<u>408</u>
	<u>850</u>	<u>801</u>

9. Called up share capital

	2008 <u>£'000</u>	2007 <u>£'000</u>
Authorised:		
1,000,000,000 common shares of CAD\$1 each	<u>495,614</u>	<u>495,614</u>
Allotted and fully paid:		
747,620,068 common shares of CAD\$1 each	<u>370,531</u>	<u>370,531</u>

Teakan Investments Limited

Notes to the financial statements (continued) (unaudited)

10. Reconciliation of movements on shareholder's funds and reserves

	Share capital <u>£'000</u>	Other reserves <u>£'000</u>	Profit and loss account <u>£'000</u>	Total shareholder's funds <u>£'000</u>
At 1 January 2007	370,531	(127)	10,719	381,123
Retained profit for the year	<u>-</u>	<u>-</u>	<u>2,885</u>	<u>2,885</u>
At 31 December 2007	370,531	(127)	13,604	384,008
Retained profit for the year	<u>-</u>	<u>-</u>	<u>3,272</u>	<u>3,272</u>
At 31 December 2008	<u>370,531</u>	<u>(127)</u>	<u>16,876</u>	<u>387,280</u>

11. Ultimate parent company

The company's immediate parent company is Talisman Energy (UK) Limited, a company registered in England and Wales. The company's ultimate parent company is Talisman Energy Inc., an independent Canadian public company.

The parent undertaking of the smallest group of which the company is a member and for which group financial statements are prepared is Talisman Energy Inc.

The consolidated financial statements of Talisman Energy Inc. are available to the public and may be obtained from Talisman House, 163 Holburn Street, Aberdeen AB10 6BZ.