TALISMAN
ENERGY

August 2, 2006

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VIA E-MAIL

To: Ontario Securities Commission

Re: Proposed OSC Policy 51-604

The following comments are provided by Talisman Energy Inc. ("Talisman") in response to the Ontario Securities Commission's (the "OSC") June 2, 2006 request for comment regarding proposed OSC Policy 51-604 – *Defence for Misrepresentations in Forward-Looking Information* (the "Policy").

Talisman is a large, independent, Canada-based oil and gas producer with operations and related activities, whether directly or through its subsidiaries, in Canada and around the world. Talisman's head office is located in Alberta and it is a reporting issuer in every province and territory of Canada. Talisman's common shares are listed on the Toronto Stock Exchange and the New York Stock Exchange.

We believe in active participation by issuers in the development of securities legislation, and the willingness of the Canadian securities administrators to open proposed policies and legislation for public comment encourages us to continue in our efforts. Thank you for your consideration.

As a preliminary comment, we support the continued existence of the defence for misrepresentations in forward-looking information and the general principles of balanced, reasonable disclosure contained in the Policy. With these principles in mind, we have two comments on the specific provisions of the Policy as follows:

1. We suggest that a specific definition or cross-reference to the definition of "materiality" be added to the Policy to confirm which standard applies.

The Policy in its current draft form refers to a standard of "materiality" in several instances, but does not specifically define what that standard is. We suggest that the Policy should either provide a specific definition of "materiality" or cross reference to one to ensure that issuers are focussed on the correct standard when drafting the appropriate advisories.

We realize in making this comment that section 1(1) of the *Securities Act* (Ontario) (the "Act") provides a definition of both "material change" and "material fact" that encompasses what is commonly referred to as the "market impact" standard of materiality. However, we also note that the "market impact" test in the Act is not used in other pieces of securities legislation applicable in Ontario. As an example, Form 51-102F2, the instructions for an annual information form, (which, not coincidentally, is a "core document" under the civil liability provisions in section 138 of the Act), uses the United States/CICA Handbook "reasonable investor" standard for materiality, rather than the "market impact" test. Similarly, National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities, focuses on the reasonable investor test, rather than on market impact. Given that the OSC has previously indicated that the United States standard is analogous, but not identical to the Canadian standard[1], we believe a more specific reference to the appropriate materiality standard would provide additional clarity.

2. **We suggest that additional clarification on the scope of the material assumption disclosure be added to the Policy.**

Section 2.5 of the draft Policy provides a certain amount of guidance in relation to section 138.4 (9) of the Act, which requires the forward-looking statement advisories to include "a statement of the material …assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information" in that it clarifies that an exhaustive statement of assumptions is not required. While we appreciate this statement, we suggest that the securities industry would benefit from additional and more specific guidance on the topic of assumptions.

Our review of advisories that have been disclosed by issuers since the implementation of the Ontario civil liability regime indicates that there is no emerging industry practice in relation to assumptions disclosure. Specifically, while some issuers (such as Talisman) issues advisories which contain both qualitative and where appropriate, quantitative assumptions, other issuers provide qualitative descriptions only, and a further set of issuers combine the assumptions and risk factors together or do not mention assumptions at all.

[1] In the matter of the Securities Act, R.S.O. 1990, c.S.5, as amended and in the matter of Piergiorgio Donnini, September 12, 2002 decision, paragraphs 136-137.

The divergence in current practice on assumptions suggests that additional guidance would be meaningful to issuers, and, we suggest, would ultimately lead to better disclosure in the advisories for the benefit of investors. We would appreciate consideration of the following questions:

- Should the material assumptions be qualitative in nature, quantitative or both?

- What level of detail is expected in the material assumptions?

- Particularly for the quantitative assumptions, how does an issuer balance the need for disclosure (in order to satisfy the requirements of the defence) with a concern that competitive information may be contained within the assumptions?

Thank you for the opportunity to contribute to the creation of this new area of law.

Yours truly,

"M. Jacqueline Sheppard"
M. Jacqueline Sheppard
Executive Vice-President, Corporate and Legal, and Corporate Secretary