Financial Statements of

TOTAL CAPITAL CANADA LTD.

For the six month periods ended June 30, 2013 and 2012

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Independent Auditors' Report on Review of Interim Financial Statements

To the Shareholder and Board of Directors of Total Capital Canada Ltd.

Introduction

We have reviewed the accompanying statement of financial position of Total Capital Canada Ltd. as at June 30, 2013, the statements of income and comprehensive income, changes in shareholder's equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information ("the interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of Total Capital Canada Ltd. as at June 30, 2013, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34, "Interim Financial Reporting".

KPMG LLP

Chartered Accountants

July 25, 2013

Calgary, Canada

TOTAL CAPITAL CANADA LTD.

Statements of Financial Position

(Thousands of U.S. dollars)
(Unaudited)

	As at June 30, 2013	As at December 31, 2012
Assets		
Current assets		
Cash	127	178
Interest receivable from related party	13,460	8,105
Fair value of derivatives (note 8 and 9)	7,406	18,274
Related party loans (note 4)	3,948	–
	24,941	26,557
Related party loans (note 4)	6,599,212	6,825,022
Fair value of derivatives (note 8 and 9)	1,697	29,321
Deferred tax asset	374	339
	6,626,224	6,881,239
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	487	374
Income taxes payable	49	126
Related party loans (note 4)	20,866	26,379
Fair value of derivatives (note 8 and 9)	3,948	–
Debt (note 5)	3,209,591	5,023,264
	3,234,941	5,050,143
Related party loans (note 4)	1,697	29,321
Fair value of derivatives (note 8 and 9)	64,714	1,952
Debt (note 5)	3,324,219	1,799,215
Shareholder's equity (note 6)		
Share capital	50	50
Retained earnings	603	558
	653	608
	6,626,224	6,881,239

Nature of operations, basis of presentation and economic dependence (note 1)
See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Statements of Income and Comprehensive Income

(Thousands of U.S. dollars)
(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Finance income (note 7)	171,773	117,346
Finance expense (note 7)	(171,713)	(117,341)
Net finance income before income tax expense	60	5
Income tax expense (recovery)		
Current	50	85
Deferred	(35)	(84)
	15	1
Net income and comprehensive income	45	4

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Statements of Changes in Shareholder's Equity

(Thousands of U.S. dollars)
(Unaudited)

Six Months Ended June 30, 2013	Opening balance	Net income 2013	Closing balance
Share capital	50	–	50
Retained earnings	558	45	603
Total shareholder's equity	608	45	653

Six Months Ended June 30, 2012	Opening balance	Net income 2012	Closing balance
Share capital	50	–	50
Retained earnings	148	4	152
Total shareholder's equity	198	4	202

TOTAL CAPITAL CANADA LTD.

Statements of Cash Flows

(Thousands of U.S. dollars)
(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash provided by (used in)		
Operating		
Net income for the period	45	4
Deferred income tax recovery	(35)	(84)
Change in fair value of derivatives (note 7)	105,202	(3,488)
	105,212	(3,568)
Net change in non-cash working capital	(105,166)	3,565
Cash provided by (used in) operating activities	46	(3)
Financing		
Net proceeds from (repayment of) debt	(288,669)	626,715
Investing		
Decrease (Increase) in related party loans	288,572	(626,736)
Change in cash	(51)	(24)
Cash, beginning of period	178	144
Cash, end of period	127	120

See accompanying notes to financial statements.

1. Nature of operations, basis of presentation and economic dependence

Total Capital Canada Ltd. ("TCCL" or the "Company") was incorporated on April 9, 2007 under the Business Corporations Act (Alberta). TCCL is a wholly-owned subsidiary of Total S.A. TCCL issues debt securities and commercial paper. TCCL lends substantially all proceeds of its borrowings to Total E&P Canada Ltd. ("TEPC"), which is also ultimately owned by Total S.A, and has Canadian oil and gas operations. Total S.A. has fully and unconditionally guaranteed the debt securities issued by TCCL as to payment of principal, premium, if any, interest and any other amounts due.

The related party loans to TEPC corresponding to the debt are not expected to be repaid within the next 12 months and as a result they are classified as a long-term asset. The debt is both current and long-term in nature and as a result, TCCL has a working capital deficit of $3.2 billion at June 30, 2013. The ultimate recoverability of the related party loans from TEPC is dependent upon TEPC successfully developing its oil sands reserves and realizing positive cash flows from its operations as well as receiving the continued support of Total S.A.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements as issued by the International Accounting Standards Board, including International Accounting Standard 34 *Interim Financial Reporting*.

The financial statements were authorized for issue by the Board of Directors on July 25, 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

(i) derivative financial instruments are measured at fair value;

(ii) held for trading financial assets are measured at fair value with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in note 9.

2. Basis of presentation (continued)

(c) Functional and presentation currency

Effective January 1, 2013, the Company changed its functional currency from the Canadian dollar to the United States dollar ("U.S. dollars"), as a significant portion of the Company's revenues, expenses and financing activities are denominated in U.S. dollars. Concurrent with the change of functional currency to the U.S. dollar, the Company also changed its reporting currency to the U.S. dollar effective January 1, 2013. The change in functional currency has been applied prospectively. The financial statements for all comparative periods presented have been translated using the closing exchange rate as at December 31, 2012.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The most significant area of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to the fair value of the derivative contracts described in notes 8 and 9.

3. Significant accounting policies

(a) Foreign currency translation

Transactions in foreign currencies are translated to U.S. dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to U.S dollars at the period end exchange rate. Foreign currency differences arising on translation are recognized in profit or loss.

3. Significant accounting policies (continued)

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash, interest receivable, related party loans, accounts payable and accrued liabilities and debt. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

An instrument is measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has designated cash at fair value through profit or loss.

Other

Other non-derivative financial instruments which include interest receivable, related party loans, accounts payable and accrued liabilities and debt are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures (see note 8). Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in profit or loss.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3. Significant accounting policies (continued)

(c) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

(d) Finance income and expenses

Finance expense comprises interest expense on borrowings, accretion of the discount on provisions, impairment losses recognized on financial assets, transaction costs and the change in fair value of derivatives contracts.

Finance income comprises interest income, management fees, offset of loss on derivatives, offset of swap termination costs and foreign exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses, reported under finance income and expenses, are reported on a net basis.

(e) Recent pronouncements

On January 1, 2013, the Company adopted new standards with respect to fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2013 or on the comparative periods.

4. Related party loans

Related party loans are primarily comprised of U.S. dollar loans obtained by the Company and loaned to TEPC for use in its business. The loans are long-term in nature as the intention is not to repay the loans until TEPC commences operations. TCCL charges TEPC interest at the market rate applicable to TCCL for the corresponding interest period, which is equivalent to the rate incurred on its outstanding debt as described in note 5. All finance expenses incurred by the Company related to these activities are recovered from TEPC.

The current asset (liability) portion of the related party loans is the corresponding offset to the fair value of the derivatives contracts entered into by the Company which expire within the next 12 months that are in a(n) liability (asset) position as at June 30, 2013. The current liability portion also includes interest receivable.

5. Debt

The Company is registered to issue commercial paper and medium term notes and is a borrower on revolving credit lines.

(a) Commercial paper

The Company is an issuer under Total S.A.'s $13 billion US commercial paper program, and is also named as an issuer under Total S.A.'s $2 billion Canadian commercial paper program. The commercial papers are issued at a discount and the Company receives the proceeds net of interest costs. The debt is accreted to its face value using the effective interest rate method with the interest expense recognized over the term of the commercial paper. The repayment terms are determined at the time of issuance; however they cannot be longer than 364 days. Total S.A. has fully and unconditionally guaranteed the commercial paper issued as to payment of principal, premium, if any, interest and any other amounts due.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2013 and 2012
(Thousands of U.S. dollars)
(Unaudited)

5. Debt (continued)

(a) Commercial paper (continued)

The following tables summarize the face value and book value of the commercial paper:

June 30, 2013	Original currency	Face value	Book value (USD)
Due July 3, 2013 at 0.090%	US	315,000	314,998
Due July 3, 2013 at 0.090%	US	139,000	139,000
Due July 8, 2013 at 0.080%	US	12,000	12,000
Due July 8, 2013 at 0.080%	US	98,000	97,998
Due July 8, 2013 at 0.090%	US	219,000	219,000
Due July 10, 2013 at 0.100%	US	462,000	462,000
Due July 12, 2013 at 0.080%	US	100,000	100,000
Due July 12, 2013 at 0.090%	US	273,000	273,000
			1,617,996

December 31, 2012	Original currency	Face value	Book value (USD)
Due January 2, 2013 at 0.160%	US	95,000	94,899
Due January 2, 2013 at 0.170%	US	329,000	328,661
Due January 2, 2013 at 0.160%	US	300,000	299,689
Due January 2, 2013 at 0.170%	US	480,000	479,624
Due January 2, 2013 at 0.170%	US	50,000	49,950
Due January 2, 2013 at 0.140%	US	404,000	403,614
Due January 2, 2013 at 0.140%	US	360,000	359,655
Due January 2, 2013 at 0.150%	US	167,000	166,838
Due January 2, 2013 at 0.140%	US	365,000	364,645
Due January 2, 2013 at 0.150%	US	106,000	105,897
Due January 2, 2013 at 0.150%	US	401,000	400,606
Due February 5, 2013 at 0.140%	US	247,000	246,759
Due February 8, 2013 at 0.150%	US	363,000	362,628
Due February 8, 2013 at 0.150%	US	11,000	10,988
Due February 8, 2013 at 0.150%	US	51,000	50,949
Due February 13, 2013 at 0.140%	US	298,000	298,711
			4,024,113

(Thousands of U.S. dollars)

5. Debt (continued)

(b) Medium term notes

TCCL issues notes under Total S.A.'s €20 billion Euro Medium Term Note Program and the US Medium Term Note Program. In May 2013, TCCL registered as an issuer under the Australian Medium Term Note Program. Effective October 2012, the Canadian Medium Term Note Program expired and was not renewed. Interest is charged at a fixed or floating rate determined at the time of issuance. The repayment terms of the notes are determined at the time of issuance. Total S.A. has fully and unconditionally guaranteed the medium term notes issued as to payment of principal, premium, if any, interest and any other amounts due.

The book value of the medium term notes at June 30, 2013 are as follows:

Expiry	Notional value	Currency	Book value (USD)
January 17, 2014	750,000	US	749,850
January 28, 2014	750,000	US	749,595
February 4, 2014	100,000	AUD	92,150
January 15, 2016	1,000,000	US	999,000
July 7, 2016	600,000	NOK	99,188
July 13, 2016	600,000	SEK	89,067
January 15, 2018	1,000,000	US	1,000,000
September 6, 2018	150,000	AUD	138,507
July 15, 2023	1,000,000	US	998,457
			4,915,814

The book value of the medium term notes at December 31, 2012 are as follows:

Expiry	Notional value	Currency	Book value (USD)
May 13, 2013	1,000,000	US	999,151
January 17, 2014	750,000	US	749,114
January 28, 2014	750,000	US	748,604
February 4, 2014	100,000	AUD	103,523
July 7, 2016	600,000	NOK	106,674
July 13, 2016	600,000	SEK	91,300
			2,798,366

5. Debt (continued)

(b) Medium term notes (continued)

On January 17, 2013, TCCL completed an offering of $1.0 billion principal amount of floating rate notes for net cash proceeds of $998.8 million. These floating rate notes bear interest at an interest rate for each interest period equal to the 3-month US dollar LIBOR plus 38 basis points. TCCL pays interest on the floating rate notes on January 15, April 15, July 15 and October 15. The floating rate notes mature on January 15, 2016. In addition, TCCL may redeem the notes at any time at 100% of the principal amount upon the occurrence of certain tax events.

On January 17, 2013, TCCL completed an offering of $1.0 billion principal amount of 1.45% notes for net cash proceeds of $997.7 million. These fixed rate notes incur interest payments semi-annually on January 15 and July 15, and mature on January 15, 2018. TCCL may redeem the 1.45% notes in whole or in part at any time and from time to time at the redemption price set forth in the prospectus. In addition, TCCL may redeem the notes at any time at 100% of the principal amount upon the occurrence of certain tax events.

On January 17, 2013, TCCL completed an offering of $1 billion principal amount of 2.75% rate notes for net cash proceeds of $996.1 million. These fixed rate notes incur interest payments semi-annually on January 15 and July 15, and mature on July 15, 2023. TCCL may redeem the 2.75% notes in whole or in part at any time and from time to time at the redemption price set forth in the prospectus. In addition, TCCL may redeem the notes at any time at 100% of the principal amount upon the occurrence of certain tax events.

On March 6, 2013, TCCL completed an offering of $153 million ($150 million AUD) principal amount of 4% rate notes for net cash proceeds of $152.6 million. These fixed rate notes incur interest payments annually on September 6, and mature on September 6, 2018. TCCL may redeem the 4% notes in whole or in part at any time and from time to time at the redemption price set forth in the prospectus. In addition, TCCL may redeem the notes at any time at 100% of the principal amount upon the occurrence of certain tax events.

(Thousands of U.S. dollars)

5. Debt (continued)

(c) Revolving credit line

TCCL is named as a borrower on a $1.625 billion short term revolving credit line with a syndicate of Canadian chartered banks. The interest rate will be charged at a variable rate determined on the date of issuance. The facility is fully and unconditionally guaranteed by Total SA. To date, no amounts have been drawn on this facility.

(d) Summary of debt outstanding

The following table summarizes the book value of the debt outstanding:

	June 30, 2013	December 31, 2012
Commercial paper	1,617,996	4,024,113
Medium term notes	4,915,814	2,798,366
Total	6,533,810	6,822,479

The following table summarizes the book value of the current debt outstanding:

	June 30, 2013	December 31, 2012
Commercial paper	1,617,996	4,024,113
Medium term notes	1,591,595	999,151
Total	3,209,591	5,023,264

6. Shareholder's equity

Structure of the share capital

The Company is authorized to issue an unlimited number of common shares, and as of June 30, 2013, has 50,000 issued and outstanding common shares with a face value of $1.00 each. All of the shares are held by Total S.A.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2013 and 2012
(Thousands of U.S. dollars)
(Unaudited)

7. Finance income and finance expense

(a) Finance income

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Income on related party loans	28,100	113,707
Management fee with related party	649	151
Other financial income	105,202	–
Gain on derivatives	–	3,488
Foreign exchange gain	37,822	–
	171,773	117,346

(b) Finance expense

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Interest	19,164	26,117
Finance fees	630	145
Foreign exchange loss	–	87,591
Loss on derivatives	105,202	–
Other financial expense	37,805	3,488
Swap termination costs	8,912	-
	171,713	117,341

7. Finance income and finance expense (continued)

(b) Finance expense (continued)

The following table summarizes the foreign exchange gains and losses:

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
(Gain)/Loss on translation of foreign currency denominated debt	(37,822)	88,532
Gain on foreign exchange contracts	–	(941)
	(37,822)	87,591

8. Financial risk management and financial instruments overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The following disclosure presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the management of capital.

(a) Risk management framework

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(Thousands of U.S. dollars)

8. Financial risk management and financial instruments overview (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's related party loans and the forward foreign exchange and interest rate swap contracts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at June 30, 2013 was $6,625,850 (December 31, 2012 - $6,880,900).

Carrying amount	June 30, 2013	December 31, 2012
Cash	127	178
Interest receivable from related party	13,460	8,105
Fair value of derivatives	9,103	47,595
Related party loans	6,603,610	6,825,022
Total	6,625,850	6,880,900

All of the Company's income and the majority of its receivables are from TEPC. The Company's exposure to credit risk is influenced mainly by the characteristics of TEPC as a borrower. However, management also considers the default risk of the industry and country in which the borrower operates, as these factors may have an influence on credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company's debts are unconditionally guaranteed by Total S.A.

(Thousands of U.S. dollars)

8. Financial risk management and financial instruments overview (continued)

(c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities at June 30, 2013:

	Carrying amount	Contractual cash flows	Less than one year	Greater than one year
Non-derivative financial liabilities				
Debt	6,533,810	6,615,434	3,225,721	3,389,713
Related party loans	22,563	22,563	22,563	–
Other payables	536	536	536	–
	6,556,909	6,638,533	3,248,820	3,389,713

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors. The Company does not apply hedge accounting but enters into derivative contracts to economically hedge its exposure.

(i) Currency risk

Currency risk is the risk that the future cash flows will fluctuate as a result of changes in exchange rates. The Company manages its exposure to foreign exchange fluctuations on US commercial papers by entering into foreign exchange forward contracts with Total Capital, a 100% owned subsidiary of Total S.A. Gains or losses on the foreign exchange forward contracts are flowed through to TEPC, so that the Company's exposure to foreign currency exchange risk is insignificant.

(Thousands of U.S. dollars)

8. Financial risk management and financial instruments overview (continued)

(d) Market risk (continued)

(i) Currency risk (continued)

At June 30, 2013, the Company has no foreign exchange forward contracts.

At December 31, 2012 the Company has the following foreign exchange forward contracts:

Expiry	Notional value	Currency	Fair value (USD)
January 2, 2013	95,000	US	–
January 2, 2013	329,000	US	1
January 2, 2013	300,000	US	–
January 2, 2013	480,000	US	2
January 2, 2013	50,000	US	–
January 2, 2013	404,000	US	1
January 2, 2013	360,000	US	–
January 2, 2013	167,000	US	1
January 2, 2013	365,000	US	1
January 2, 2013	106,000	US	–
January 2, 2013	401,000	US	1
January 2, 2013	363,000	US	1
January 2, 2013	11,000	US	–
January 2, 2013	51,000	US	–
January 2, 2013	247,000	US	(1)
January 2, 2013	298,000	US	–
			7

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the term notes fluctuates with the interest rates posted by the lenders. Any change in interest rates resulting in changes to interest expense is flowed through to TEPC. The Company uses long-term interest rate swaps together with currency swaps to manage the associated risk.

(Thousands of U.S. dollars)

8. Financial risk management and financial instruments overview (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

At June 30, 2013, the Company has the following cross currency interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (USD)	Swap rate	Fair value (USD)
January 28, 2014	750,000	US	750,000	LIBOR+41.625bp	7,406
February 4, 2014	100,000	AUD	99,480	LIBOR+37.000bp	(3,948)
July 7, 2016	600,000	NOK	110,599	LIBOR+41.833bp	(3,514)
July 13, 2016	600,000	SEK	94,451	LIBOR+39.833bp	1,697
January 15, 2018	1,000,000	US	1,000,000	LIBOR+58.425bp	(18,061)
September 6, 2018	150,000	AUD	152,985	LIBOR+37.000bp	(29,632)
July 15, 2023	500,000	US	500,000	LIBOR+81.250bp	(13,507)
					(59,559)

At December 31, 2012, the Company has the following cross currency interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (CAD)	Swap rate	Fair value (USD)
May 13, 2013	1,000,000	US	390,160	CDOR+13.45bp	7,306
			585,750	CDOR+13.75bp	10,961
January 17, 2014	750,000	US	745,875	CDOR+53.00bp	(1,952)
January 28, 2014	750,000	US	745,875	CDOR+52.55bp	5,873
February 4, 2014	100,000	AUD	99,430	CDOR+47.25bp	10,806
July 7, 2016	600,000	NOK	108,852	CDOR+52.00bp	4,672
July 13, 2016	600,000	SEK	90,673	CDOR+50.50bp	7,970
					45,636

(Thousands of U.S. dollars)

8. Financial risk management and financial instruments overview (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

With the January 1, 2013 change in functional currency the cross currency swaps to Canadian dollars were unwound and early termination costs of $8.9 million dollars were incurred and recorded as finance expense.

9. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Cash, interest receivable, accounts payable and accrued liabilities and debt

The fair value of cash, interest receivable, accounts payable and accrued liabilities and commercial papers is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At June 30, 2013, the fair value of these balances approximated their carrying value due to their short term to maturity.

The fair value of the medium term notes at June 30, 2013 are as follows:

Expiry	Notional value	Currency	Fair value (USD)
January 17, 2014	750,000	US	749,850
January 28, 2014	750,000	US	757,819
February 4, 2014	100,000	AUD	95,583
January 15, 2016	1,000,000	US	999,000
July 7, 2016	600,000	NOK	107,160
July 13, 2016	600,000	SEK	96,210
January 15, 2018	1,000,000	US	982,574
September 6, 2018	150,000	AUD	139,527
July 15, 2023	1,000,000	US	968,755
			4,896,478

(Thousands of U.S. dollars)

9. Determination of fair values (continued)

(b) Foreign exchange and interest rate swap contracts

The fair value of forward exchange and interest rate swap contracts are determined by discounting the difference between the contracted prices and published forward price curves as at the balance sheet date. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations that incorporate various inputs, including foreign exchange spot and forward rates.

The following tables provide fair value measurement information for financial assets and liabilities as of June 30, 2013 and December 31, 2012.

			Fair value measurements using		
As at June 30, 2013	Carrying amount	Fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Derivatives					
Fair value of cross currency and interest rate swaps	(59,559)	(59,559)	–	(59,559)	

			Fair value measurements using		
As at December 31, 2012	Carrying amount	Fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Derivatives					
Fair value of foreign exchange forwards	7	7	–	7	–
Fair value of cross currency interest rate swaps	45,636	45,636	–	45,636	–
	45,643	45,643	–	45,643	–

9. Determination of fair values (continued)

(b) Foreign exchange and interest rate swap derivative contracts (continued)

Level 1 Fair Value Measurements

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. The fair value of the foreign exchange and interest rate swaps were determined using level 2 fair value measurements.

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable information.

10. Capital management

The Company's objective is to obtain debt financing from the capital markets and to provide the financing obtained to TEPC. The Company considers its capital structure to include working capital, debt and shareholder's equity. The Company's shareholder's equity is not subject to external restructuring and the Company has not paid or declared any dividends since incorporation. There are no covenants in the Company's debt agreements.

11. Subsequent event

On July 9, 2013, TCCL completed an offering of $977 million ($750 million EUR) principal amount of 1.875% rate notes for net cash proceeds of $968 million. These fixed rate notes incur interest payments annually on July 9, and mature on July 9, 2020. TCCL may redeem the 1.875% notes in whole or in part at any time and from time to time at the redemption price set forth in the prospectus. In addition, TCCL may redeem the notes at any time at 100% of the principal amount upon the occurrence of certain tax events.

The funds from the issuance of the debt will be used to repay maturing debt. The remaining funds will be loaned to TEPC.