

Financial Statements of

TOTAL CAPITAL CANADA LTD.

For the six month periods ended June 30, 2014 and 2013



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9

Telephone (403) 691-800
Fax (403) 691-8008
www.kpmg.ca

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, 2014, the statements of income (loss) and comprehensive income (loss), 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 International Financial Reporting Standards including the requirements of 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, 2014, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards including the requirements of IAS 34, "Interim Financial Reporting".

KPMG LLP

Chartered Accountants

July 29, 2014

Calgary, Canada

TOTAL CAPITAL CANADA LTD.

Statements of Financial Position

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

| | As at June 30, 2014 | As at December 31, 2013 |
|---|------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash | 267 | 268 |
| Income taxes receivable | 136 | 140 |
| Interest receivable on related party loans (note 4) | 13,145 | 15,454 |
| Fair value of derivatives (notes 8 and 9) | – | 4,839 |
| Related party loans (note 4) | – | 5,293 |
| | 13,548 | 25,994 |
| Related party loans (note 4) | 8,380,290 | 7,469,278 |
| Fair value of derivatives (notes 8 and 9) | 81,406 | 35,604 |
| Deferred tax asset | 407 | 466 |
| | 8,475,651 | 7,531,342 |
| Liabilities and Shareholder's Equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 771 | 783 |
| Related party loans (note 4) | 13,145 | 20,293 |
| Fair value of derivatives (notes 8 and 9) | – | 5,293 |
| Debt (note 5) | 3,994,719 | 3,033,475 |
| | 4,008,635 | 3,059,844 |
| Related party loans (note 4) | 81,406 | 35,604 |
| Fair value of derivatives (notes 8 and 9) | 36,114 | 77,539 |
| Debt (note 5) | 4,348,833 | 4,357,662 |
| Shareholder's equity (note 6) | | |
| Share capital | 50 | 50 |
| Retained earnings | 613 | 643 |
| | 663 | 693 |
| | 8,475,651 | 7,531,342 |

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

TOTAL CAPITAL CANADA LTD.

Statements of Income (Loss) and Comprehensive Income (Loss)

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

| | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|-----------------------------------|-----------------------------------|
| Finance income (note 7) | 114,284 | 171,773 |
| Finance expense (note 7) | (114,255) | (171,713) |
| Net finance income before income tax expense | 29 | 60 |
| Income tax expense (recovery) | | |
| Current | – | 50 |
| Deferred | 59 | (35) |
| | 59 | 15 |
| Net income (loss) and comprehensive income (loss) | (30) | 45 |

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, 2014 | Opening balance | Net Loss 2014 | Closing balance |
|-----------------------------------|--------------------|------------------|--------------------|
| Share capital | 50 | – | 50 |
| Retained earnings | 643 | (30) | 613 |
| Total shareholder's equity | 693 | (30) | 663 |

| 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 |

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Statements of Cash Flows

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

| | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|-----------------------------------|-----------------------------------|
| Cash provided by (used in) | | |
| Operating | | |
| Net income (loss) for the period | (30) | 45 |
| Deferred income tax expense (recovery) | 59 | (35) |
| Change in fair value of derivatives (note 7) | (87,681) | 105,202 |
| | (87,652) | 105,212 |
| Net change in non-cash working capital (note 11) | 87,673 | (105,166) |
| Cash provided by operating activities | 21 | 46 |
| Financing | | |
| Proceeds from medium term note issuances | – | 3,175,738 |
| Repayment of medium term notes | (1,599,480) | (1,000,000) |
| Net proceeds (repayment) of commercial paper | 2,550,642 | (2,406,117) |
| Cash provided by (used in) financing activities | 951,162 | (230,379) |
| Investing | | |
| (Increase) decrease in related party loans receivable | (951,184) | 230,282 |
| Change in cash | (1) | (51) |
| Cash, beginning of period | 268 | 178 |
| Cash, end of period | 267 | 127 |

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

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 \$4.0 billion at June 30, 2014. The current portion of the debt is expected to be refinanced upon maturity. 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.

The Company's registered office is located at 2900, 240 – 4th Avenue S.W., Calgary, Alberta, Canada, T2P 4H4.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 29, 2014.

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

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Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

2. Basis of presentation (continued)

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

(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.

(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.

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Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
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(Unaudited)

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.

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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, foreign exchange losses, transaction costs, offset of gain on derivatives, swap termination costs and the change in fair value of derivatives contracts.

Finance income comprises interest income, change in fair value of derivative contracts, management fee with related party, 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, 2014, the Company adopted new standards with respect to levies (IFRIC 21), applied retrospectively, and amendments to clarify the requirements for offsetting of financial assets and liabilities (IAS 32), applied retrospectively. The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2014 or on the comparative periods.

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(Unaudited)

4. Related party loans

Related party loans are primarily comprised of U.S. dollar loans obtained by the Company and lent 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 generates net positive cash flows. 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, 2014 and December 31, 2013. The current liability portion also includes interest payable to Total Capital, a wholly owned subsidiary of Total S.A.

5. Debt

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

(a) Summary of debt outstanding

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

| | June 30, 2014 | December 31, 2013 |
|-------------------|------------------|----------------------|
| Commercial paper | 3,994,719 | 1,444,077 |
| Medium term notes | 4,348,833 | 5,947,060 |
| Total | 8,343,552 | 7,391,137 |

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

| | June 30, 2014 | December 31, 2013 |
|-------------------|------------------|----------------------|
| Commercial paper | 3,994,719 | 1,444,077 |
| Medium term notes | – | 1,589,398 |
| Total | 3,994,719 | 3,033,475 |

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Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

5. Debt (continued)

(b) 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.

The book value of the commercial paper at June 30, 2014 is as follows:

| Expiry | Currency | Face value | Book value (USD) |
|----------------------------------|----------|------------|------------------|
| Due July 1, 2014 at 0.080% | US | 43,000 | 43,000 |
| Due July 1, 2014 at 0.070% | US | 150,000 | 150,000 |
| Due July 10, 2014 at 0.070% | US | 362,000 | 361,994 |
| Due July 14, 2014 at 0.080% | US | 548,000 | 547,984 |
| Due July 16, 2014 at 0.090% | US | 200,000 | 199,992 |
| Due July 16, 2014 at 0.100% | US | 279,000 | 278,988 |
| Due July 18, 2014 at 0.090% | US | 452,000 | 451,981 |
| Due July 22, 2014 at 0.120% | US | 182,000 | 181,987 |
| Due July 24, 2014 at 0.090% | US | 202,000 | 201,988 |
| Due July 26, 2014 at 0.090% | US | 440,000 | 439,973 |
| Due July 30, 2014 at 0.090% | US | 137,000 | 136,990 |
| Due August 5, 2014 at 0.100% | US | 200,000 | 199,980 |
| Due August 14, 2014 at 0.100% | US | 150,000 | 149,982 |
| Due August 19, 2014 at 0.110% | US | 410,000 | 409,940 |
| Due September 24, 2014 at 0.110% | US | 240,000 | 239,940 |
| | | | 3,994,719 |

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

5. Debt (continued)

(b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2013 is as follows:

| Expiry | Currency | Face value | Book value (USD) |
|--------------------------------|----------|------------|------------------|
| Due January 13, 2014 at 0.070% | US | 37,500 | 37,499 |
| Due January 13, 2014 at 0.165% | US | 200,000 | 199,989 |
| Due January 16, 2014 at 0.050% | US | 68,000 | 67,999 |
| Due January 16, 2014 at 0.165% | US | 103,000 | 102,993 |
| Due January 16, 2014 at 0.060% | US | 146,000 | 145,996 |
| Due February 3, 2014 at 0.080% | US | 18,000 | 18,000 |
| Due February 3, 2014 at 0.080% | US | 24,000 | 23,999 |
| Due February 3, 2014 at 0.150% | US | 50,000 | 49,993 |
| Due February 3, 2014 at 0.150% | US | 50,000 | 49,993 |
| Due February 3, 2014 at 0.060% | US | 64,000 | 63,996 |
| Due March 19, 2014 at 0.190% | US | 15,000 | 14,994 |
| Due March 19, 2014 at 0.200% | US | 226,000 | 225,903 |
| Due April 11, 2014 at 0.220% | US | 52,000 | 51,968 |
| Due April 11, 2014 at 0.220% | US | 100,000 | 99,939 |
| Due April 11, 2014 at 0.220% | US | 100,000 | 99,939 |
| Due May 7, 2014 at 0.200% | US | 63,000 | 62,956 |
| Due June 2, 2014 at 0.150% | US | 128,000 | 127,921 |
| | | | 1,444,077 |

(c) 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 \$2 billion Australian Medium Term Note Program. 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.

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Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

5. Debt (continued)

(c) Medium term notes (continued)

The book value of the medium term notes at June 30, 2014 is as follows:

| Expiry | Notional value | Currency | Book value (USD) |
|-------------------|-------------------|----------|---------------------|
| January 15, 2016 | 1,000,000 | US | 999,400 |
| July 7, 2016 | 600,000 | NOK | 97,288 |
| July 13, 2016 | 600,000 | SEK | 89,128 |
| January 15, 2018 | 1,000,000 | US | 1,000,000 |
| September 6, 2018 | 150,000 | AUD | 140,343 |
| July 9, 2020 | 750,000 | EUR | 1,024,350 |
| July 15, 2023 | 1,000,000 | US | 998,324 |
| | | | 4,348,833 |

The book value of the medium term notes at December 31, 2013 is as follows:

| Expiry | Notional value | Currency | Book value (USD) |
|-------------------|-------------------|----------|---------------------|
| January 17, 2014 | 750,000 | US | 750,000 |
| January 28, 2014 | 750,000 | US | 750,000 |
| February 4, 2014 | 100,000 | AUD | 89,398 |
| January 15, 2016 | 1,000,000 | US | 999,200 |
| July 7, 2016 | 600,000 | NOK | 98,654 |
| July 13, 2016 | 600,000 | SEK | 93,088 |
| January 15, 2018 | 1,000,000 | US | 1,000,000 |
| September 6, 2018 | 150,000 | AUD | 134,165 |
| July 9, 2020 | 750,000 | EUR | 1,034,324 |
| July 15, 2023 | 1,000,000 | US | 998,231 |
| | | | 5,947,060 |

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Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

5. Debt (continued)

(c) Medium term notes (continued)

There were no medium term note issuances for the six months ended June 30, 2014.

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 \$1.0 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.

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.

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For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
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5. Debt (continued)

(d) Revolving credit line

TCCL is named as a borrower on a CAD\$1.375 billion short term revolving credit line with a syndicate of Canadian chartered banks. In October 2013, TCCL was named as a swingline borrower on a US\$150 million multicurrency revolving credit agreement (incorporating a US\$ swingline option) with a chartered American bank. Interest rates on the credit facilities are charged at variable rates determined on the date of issuance. All credit facilities are fully and unconditionally guaranteed by Total S.A. To date, no amounts have been drawn on these facilities.

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, 2014 and December 31, 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.

7. Finance income and finance expense

(a) Finance income

| | Six months ended, June 30, 2014 | Six months ended, June 30, 2013 |
|-----------------------------------|------------------------------------|------------------------------------|
| Income on related party loans | 26,477 | 28,100 |
| Management fee with related party | 126 | 649 |
| Gain on derivatives | 87,681 | — |
| Other financial income | — | 105,202 |
| Foreign exchange gain | — | 37,822 |
| | <hr/> 114,284 | <hr/> 171,773 |

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Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

7. Finance income and finance expense (continued)

(b) Finance expense

| | Six months ended, June 30, 2014 | Six months ended, June 30, 2013 |
|-------------------------|------------------------------------|------------------------------------|
| Interest | 25,651 | 19,164 |
| Finance fees | 96 | 630 |
| Foreign exchange loss | 827 | — |
| Loss on derivatives | — | 105,202 |
| Swap termination costs | — | 8,912 |
| Other financial expense | 87,681 | 37,805 |
| | 114,255 | 171,713 |

The following table summarizes the foreign exchange gains and losses:

| | Six months ended, June 30, 2014 | Six months ended, June 30, 2013 |
|--|------------------------------------|------------------------------------|
| Loss (gain) on translation of foreign currency denominated debt | 827 | (37,822) |

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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.

(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, 2014 was \$8,475,108 (December 31, 2013 - \$7,530,736).

| | June 30, 2014 | December 31, 2013 |
|--|------------------|----------------------|
| Carrying amount | | |
| Cash | 267 | 268 |
| Interest receivable on related party loans | 13,145 | 15,454 |
| Fair value of derivatives | 81,406 | 40,443 |
| Related party loans | 8,380,290 | 7,474,571 |
| Total | 8,475,108 | 7,530,736 |

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

(b) Credit risk (continued)

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.

The following are the remaining contractual maturities of financial liabilities at June 30, 2014. The amounts are gross and undiscounted, and include estimated interest payments. Also included are the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes which are not usually closed out prior to contractual maturity.

| | Carrying amount | Contractual cash flows | Less than one year | Greater than one year |
|--|--------------------|------------------------------|--------------------------|-----------------------------|
| Derivative and Non-derivative financial liabilities: | | | | |
| Debt (notional value excluding interest) | 8,343,552 | 8,330,485 | 3,995,000 | 4,335,485 |
| Interest expense on debt | - | 515,510 | 80,089 | 435,421 |
| Interest differential on swaps | - | (224,058) | (34,319) | (189,739) |
| Related party loans | 94,551 | 94,551 | 13,145 | 81,406 |
| Other payables | 771 | 771 | 771 | - |
| | 8,438,874 | 8,717,259 | 4,054,686 | 4,662,573 |

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

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

(c) Liquidity risk (continued)

The interest payments on variable rate commercial papers and medium term notes in the above table reflect current market interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates change. Except for those financial liabilities, 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 of the Company. The Company does not apply hedge accounting but enters into derivative contracts to hedge its economic 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 its non-U.S. dollar denominated medium term notes by entering into cross-currency interest rate swaps with Total Capital (see interest rate risk section below for the notional value details). Gains or losses on the cross-currency interest rate swaps are flowed through to TEPC, so that the Company's exposure to foreign currency exchange risk is insignificant.

TOTAL CAPITAL CANADA LTD.

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For the six months ended June 30, 2014 and 2013
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8. Financial risk management and financial instruments overview (continued)

(d) Market risk (continued)

(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 medium 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, along with the aforementioned currency swaps, to manage the associated risk.

At June 30, 2014, the Company had 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) |
|-------------------|----------------|----------|----------------------|----------------|------------------|
| July 7, 2016 | 600,000 | NOK | 110,599 | LIBOR+41.833bp | (6,103) |
| July 13, 2016 | 600,000 | SEK | 94,451 | LIBOR+39.833bp | 2,157 |
| January 15, 2018 | 1,000,000 | US | 1,000,000 | LIBOR+58.425bp | (6,574) |
| September 6, 2018 | 150,000 | AUD | 152,985 | LIBOR+37.000bp | (5,407) |
| July 9, 2020 | 500,000 | EUR | 651,750 | LIBOR+82.500bp | 52,833 |
| July 9, 2020 | 250,000 | EUR | 325,700 | LIBOR+82.400bp | 26,416 |
| July 15, 2023 | 500,000 | US | 500,000 | LIBOR+81.250bp | (18,030) |
| | | | | | <u>45,292</u> |

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

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

(d) Market risk (continued)

(ii) Interest rate risk (continued)

At December 31, 2013, the Company had 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 | 4,839 |
| February 4, 2014 | 100,000 | AUD | 99,480 | LIBOR+37.000bp | (5,293) |
| July 7, 2016 | 600,000 | NOK | 110,599 | LIBOR+41.833bp | (6,323) |
| July 13, 2016 | 600,000 | SEK | 94,451 | LIBOR+39.833bp | 4,528 |
| January 15, 2018 | 1,000,000 | US | 1,000,000 | LIBOR+58.425bp | (13,478) |
| September 6, 2018 | 150,000 | AUD | 152,985 | LIBOR+37.000bp | (18,292) |
| July 9, 2020 | 500,000 | EUR | 651,750 | LIBOR+82.500bp | 20,580 |
| July 9, 2020 | 250,000 | EUR | 325,700 | LIBOR+82.400bp | 10,496 |
| July 15, 2023 | 500,000 | US | 500,000 | LIBOR+81.250bp | (39,446) |
| | | | | | (42,389) |

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 were incurred and recorded as finance expense.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
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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, 2014, 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 has been determined on an individual basis by discounting future cash flows with the zero coupon interest rate curves existing at June 30, 2014.

The fair value of the medium term notes at June 30, 2014 is as follows:

| Expiry | Notional value | Currency | Fair value (USD) |
|-------------------|----------------|----------|------------------|
| January 15, 2016 | 1,000,000 | US | 999,999 |
| July 7, 2016 | 600,000 | NOK | 104,558 |
| July 13, 2016 | 600,000 | SEK | 96,658 |
| January 15, 2018 | 1,000,000 | US | 993,945 |
| September 6, 2018 | 150,000 | AUD | 147,612 |
| July 9, 2020 | 750,000 | EUR | 1,057,306 |
| July 15, 2023 | 1,000,000 | US | 982,169 |
| | | | 4,382,247 |

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

9. Determination of fair values (continued)

(b) Cross currency and interest rate swap contracts

The fair value of cross currency and interest rate swap contracts are determined by discounting the difference between the contracted prices and published forward price curves as at the reporting 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, 2014 and December 31, 2013.

| | Carrying amount | Fair value | Fair value measurements using | | |
|--|-----------------|------------|---|---|---|
| | | | Quoted prices in active markets (level 1) | Significant other observable inputs (level 2) | Significant unobservable inputs (level 3) |
| As at June 30, 2014 | | | | | |
| Derivatives | | | | | |
| Fair value of cross currency interest rate swaps | 45,292 | 45,292 | - | 45,292 | - |

| | Carrying amount | Fair value | Fair value measurements using | | |
|--|-----------------|------------|---|---|---|
| | | | Quoted prices in active markets (level 1) | Significant other observable inputs (level 2) | Significant unobservable inputs (level 3) |
| As at December 31, 2013 | | | | | |
| Derivatives | | | | | |
| Fair value of cross currency interest rate swaps | (42,389) | (42,389) | - | (42,389) | - |

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

9. Determination of fair values (continued)

(b) Cross currency and interest rate swap contracts (continued)

The following table summarizes the fair value of the derivatives:

| | June 30, 2014 | December 31, 2013 |
|-----------------------|------------------|----------------------|
| Current asset | – | 4,839 |
| Non-current asset | 81,406 | 35,604 |
| Current liability | – | (5,293) |
| Non-current liability | (36,114) | (77,539) |
| | 45,292 | (42,389) |

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 restrictions and the Company has not paid or declared any dividends since incorporation. There are no financial covenants in the Company's debt agreements.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2014 and 2013
(Thousands of U.S. dollars)
(Unaudited)

11. Supplemental cash flow information

| | Six months ended, June 30, 2014 | Six months ended, June 30, 2013 |
|--|------------------------------------|------------------------------------|
| Income taxes receivable | 4 | – |
| Interest receivable | 2,309 | (5,355) |
| Accounts payable and accrued liabilities | (12) | 113 |
| Income taxes payable | – | (77) |
| Interest payable (related party loans) | (2,309) | 5,355 |
| Change in related party loans related to fair value of derivatives: | | |
| Current asset | 5,293 | (3,948) |
| Non-current asset | 41,425 | (62,762) |
| Current liability | (4,839) | (10,868) |
| Non-current liability | 45,802 | (27,624) |
| Net change in non-cash working capital | 87,673 | (105,166) |