Financial Statements of

TOTAL CAPITAL CANADA LTD.

For the six month periods ended June 30, 2015 and 2014

KPMG LLP
205-5th Avenue SW
Suite 3100, Bow Valley Square 2
Calgary AB
T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8000
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, 2015, 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 the entity as at June 30, 2015, 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 28, 2015

Calgary, Canada

TOTAL CAPITAL CANADA LTD.
Statements of Financial Position

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

	As at June 30, 2015	As at December 31, 2014
Assets		
Current assets		
Cash	844	813
Interest receivable on related party loans (note 4)	14,706	14,537
	15,550	15,350
Related party loans (note 4)	10,690,870	9,372,771
Deferred tax asset	352	35
	10,706,772	9,388,156
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	3,725	709
Related party loans (note 4)	14,706	14,537
Debt (note 5)	3,926,853	1,706,292
	3,945,284	1,721,538
Fair value of derivatives (notes 8 and 9)	703,251	273,174
Debt (note 5)	6,057,095	7,392,719
Shareholder's equity (note 6)		
Share capital	50	50
Retained earnings	1,092	675
	1,142	725
	10,706,772	9,388,156

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, 2015	Six Months Ended June 30, 2014
Finance income (note 7)	811,661	114,284
Finance expense (note 7)	(811,561)	(114,255)
Net finance income before income tax expense	100	29
Income tax expense (recovery)		
Deferred	(317)	59
	(317)	59
Net income (loss) and comprehensive income (loss)	417	(30)

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, 2015	Opening balance	Net Income 2015	Closing balance
Share capital	50	–	50
Retained earnings	675	417	1,092
Total shareholder's equity	725	417	1,142

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

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, 2015	Six Months Ended June 30, 2014
Cash provided by (used in)		
Operating		
Net income (loss) for the period	417	(30)
Deferred income tax expense (recovery)	(317)	59
Change in fair value of derivatives (note 7)	430,077	(87,681)
	430,177	(87,652)
Net change in non-cash working capital (note 11)	(427,061)	87,673
Cash provided by operating activities	3116	21
Financing		
Proceeds from medium term note issuances	–	–
Repayment of medium term notes	–	(1,599,480)
Net proceeds (repayment) of commercial paper	1,220,761	2,550,642
Cash provided by financing activities	1,220,761	951,162
Investing		
Increase in related party loans receivable	(1,223,846)	(951,184)
Change in cash	31	(1)
Cash, beginning of period	813	268
Cash, end of period	844	267

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.

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 $3.9 billion at June 30, 2015. 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. 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 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 28, 2015.

(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.

2. Basis of presentation (continued)

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

(c) Functional and presentation currency

The financial statements are presented in U.S dollars, which is the functional currency of the Company.

(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 income comprises interest income on related party loans, management fee with related party, other financial income which is comprised of the offset of loss on derivatives and foreign exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, finance fees, foreign exchange losses, transaction costs, other financial expense which is comprised of the offset of foreign exchange gains and the change in fair value of derivatives contracts.

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

(Thousands of U.S. dollars)

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 the reporting date. 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, 2015	December 31, 2014
Commercial paper	2,927,053	1,706,292
Medium term notes	7,056,895	7,392,719
Total	9,983,948	9,099,011

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

	June 30, 2015	December 31, 2014
Commercial paper	2,927,053	1,706,292
Medium term notes	999,800	–
Total	3,926,853	1,706,292

(Thousands of U.S. dollars)

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, 2015 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due July 15, 2015 at 0.100%	USD	107,000	106,996
Due July 15, 2015 at 0.100%	USD	42,500	42,498
Due July 15, 2015 at 0.100%	USD	8,500	8,500
Due July 27, 2015 at 0.140%	USD	377,000	376,962
Due July 27, 2015 at 0.140%	USD	2,000	2,000
Due August 13, 2015 at 0.140%	USD	255,500	255,457
Due August 13, 2015 at 0.140%	USD	33,500	33,494
Due August 26, 2015 at 0.140%	USD	10,000	9,998
Due September 1, 2015 at 0.140%	USD	65,000	64,984
Due September 4, 2015 at 0.140%	USD	436,500	436,390
Due September 8, 2015 at 0.140%	USD	454,000	453,878
Due September 8, 2015 at 0.140%	USD	7,000	6,998
Due September 14, 2015 at 0.140%	USD	309,000	308,910
Due October 29, 2015 at 0.230%	USD	491,500	491,462
Due December 21, 2015 at 0.300%	USD	329,000	328,526
			2,927,053

(Thousands of U.S. dollars)

5. Debt (continued)

(b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2014 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due January 5, 2015 at 0.090%	USD	75,000	74,999
Due January 5, 2015 at 0.090%	USD	150,000	149,999
Due January 5, 2015 at 0.095%	USD	217,000	216,998
Due January 5, 2015 at 0.090%	USD	3,500	3,500
Due January 15, 2015 at 0.120%	USD	62,000	61,997
Due January 15, 2015 at 0.110%	USD	42,000	41,998
Due January 15, 2015 at 0.110%	USD	4,000	4,000
Due January 15, 2015 at 0.110%	USD	13,000	12,999
Due January 15, 2015 at 0.140%	USD	5,000	5,000
Due February 24, 2015 at 0.110%	USD	13,000	12,998
Due February 24, 2015 at 0.110%	USD	50,000	49,992
Due February 24, 2015 at 0.110%	USD	50,000	49,992
Due February 24, 2015 at 0.110%	USD	151,000	150,975
Due February 24, 2015 at 0.110%	USD	50,000	49,992
Due February 26, 2015 at 0.110%	USD	50,000	49,991
Due February 26, 2015 at 0.110%	USD	38,000	37,993
Due February 26, 2015 at 0.110%	USD	300,000	299,949
Due March 2, 2015 at 0.110%	USD	195,000	194,964
Due March 2, 2015 at 0.110%	USD	50,000	49,991
Due March 2, 2015 at 0.110%	USD	83,000	82,985
Due March 4, 2015 at 0.110%	USD	105,000	104,980
			1,706,292

(c) Medium term notes

TCCL issues notes under Total S.A.'s €26 billion Euro Medium Term Note Program, the US Medium Term Note Program and 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.

(Thousands of U.S. dollars)

5. Debt (continued)

(c) Medium term notes (continued)

The book value of the medium term notes at June 30, 2015 is as follows:

Expiry	Notional value	Currency	Book value (USD)
January 15, 2016	1,000,000	USD	999,800
July 7, 2016	600,000	NOK	76,277
July 13, 2016	600,000	SEK	72,781
January 15, 2018	1,000,000	USD	1,000,000
September 6, 2018	150,000	AUD	115,351
September 23, 2019	100,000	AUD	76,900
January 31, 2020	100,000	CAD	80,851
July 9, 2020	750,000	EUR	839,175
March 18, 2022	1,000,000	EUR	1,118,900
July 15, 2023	1,000,000	USD	998,510
September 18, 2029	1,500,000	EUR	1,678,350
			7,056,895

The book value of the medium term notes at December 31, 2014 is as follows:

Expiry	Notional value	Currency	Book value (USD)
January 15, 2016	1,000,000	USD	999,600
July 7, 2016	600,000	NOK	80,423
July 13, 2016	600,000	SEK	77,438
January 15, 2018	1,000,000	USD	1,000,000
September 6, 2018	150,000	AUD	122,810
September 23, 2019	100,000	AUD	81,873
January 31, 2020	100,000	CAD	86,333
July 9, 2020	750,000	EUR	910,575
March 18, 2022	1,000,000	EUR	1,214,100
July 15, 2023	1,000,000	USD	998,417
September 18, 2029	1,500,000	EUR	1,821,150
			7,392,719

5. Debt (continued)

(c) Medium term notes (continued)

There were no medium term note issuances for the six months ended June 30, 2015.

On September 11, 2014, TCCL completed an offering of $92.0 million ($100 million CAD) principal amount of 2.125% rate notes for net cash proceeds of $92.0 million. These fixed rate notes incur interest payments annually on January 31, and mature on January 31, 2020. TCCL may redeem the 2.125% 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 September 18, 2014, TCCL completed an offering of $1.942 billion (€1.5 billion EUR) principal amount of 2.125% rate notes for net cash proceeds of $1.942 billion. These fixed rate notes incur interest payments annually on September 18, and mature on September 18, 2029. TCCL may redeem the 2.125% 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 September 18, 2014, TCCL completed an offering of $1.294 billion (€1.0 billion EUR) principal amount of 1.125% rate notes for net cash proceeds of $1.294 billion. These fixed rate notes incur interest payments annually on March 18, and mature on March 18, 2022. TCCL may redeem the 1.125% 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 September 23, 2014, TCCL completed an offering of $90.3 million ($100 million AUD) principal amount of 3.75% rate notes for net cash proceeds of $90.3 million. These fixed rate notes incur interest payments annually on September 23, and mature on September 23, 2019. TCCL may redeem the 3.75% 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.

(Thousands of U.S. dollars)

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. TCCL is also 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, 2015 and December 31, 2014, 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, 2015	Six Months Ended June 30, 2014
Income on related party loans	42,212	26,477
Management fee with related party	3,147	126
Other financial income	430,077	–
Foreign exchange gain	336,225	–
Gain on derivatives	–	87,681
	811,661	114,284

(Thousands of U.S. dollars)

7. Finance income and finance expense (continued)

(b) Finance expense

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Interest	42,212	25,651
Finance fees	3,047	96
Loss on derivatives	430,077	–
Foreign exchange loss	–	827
Other financial expense	336,225	87,681
	811,561	114,255

The following table summarizes the foreign exchange gains and losses:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Loss (gain) on translation of foreign currency denominated debt	(336,225)	827

(Thousands of U.S. dollars)

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, 2015 was $10,706,420 (December 31, 2014 - $9,388,121).

Carrying amount	June 30, 2015	December 31, 2014
Cash	844	813
Interest receivable on related party loans	14,706	14,537
Related party loans	10,690,870	9,372,771
Total	10,706,420	9,388,121

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

(Thousands of U.S. dollars)

(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, 2015. 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)	9,983,948	10,681,890	3,928,000	6,753,890
Interest expense on debt	–	1,053,249	126,546	926,703
Interest differential on swaps	–	(401,163)	(45,400)	(355,763)
Related party loans	14,706	14,706	14,706	–
Accounts payable and accrued liabilities	3,725	3,725	3,725	–
	10,002,379	11,352,407	4,027,577	7,324,830

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.

(Thousands of U.S. dollars)

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, 2015, 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	(29,800)
July 13, 2016	600,000	SEK	94,451	LIBOR+39.833bp	(16,839)
January 15, 2018	1,000,000	USD	1,000,000	LIBOR+58.425bp	(727)
September 6, 2018	150,000	AUD	152,985	LIBOR+37.000bp	(30,138)
September 23, 2019	100,000	AUD	90,300	LIBOR+25.500bp	(8,799)
January 31, 2020	100,000	CAD	92,005	LIBOR+30.500bp	(8,242)
July 9, 2020	500,000	EUR	651,750	LIBOR+82.500bp	(72,098)
July 9, 2020	250,000	EUR	325,700	LIBOR+82.400bp	(35,850)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(99,697)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(99,350)
July 15, 2023	500,000	USD	500,000	LIBOR+81.250bp	(6,710)
September 18, 2029	500,000	EUR	647,200	LIBOR+85.740bp	(98,791)
September 18, 2029	500,000	EUR	647,400	LIBOR+85.170bp	(98,558)
September 18, 2029	500,000	EUR	647,050	LIBOR+84.520bp	(97,652)
					(703,251)

(Thousands of U.S. dollars)

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

(d) Market risk (continued)

(ii) Interest rate risk (continued)

At December 31, 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	(26,069)
July 13, 2016	600,000	SEK	94,451	LIBOR+39.833bp	(12,472)
January 15, 2018	1,000,000	USD	1,000,000	LIBOR+58.425bp	(7,550)
September 6, 2018	150,000	AUD	152,985	LIBOR+37.000bp	(24,520)
September 23, 2019	100,000	AUD	90,300	LIBOR+25.500bp	(4,777)
January 31, 2020	100,000	CAD	92,005	LIBOR+30.500bp	(5,268)
July 9, 2020	500,000	EUR	651,750	LIBOR+82.500bp	(20,879)
July 9, 2020	250,000	EUR	325,700	LIBOR+82.400bp	(10,238)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(42,553)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(42,213)
July 15, 2023	500,000	USD	500,000	LIBOR+81.250bp	(4,420)
September 18, 2029	500,000	EUR	647,200	LIBOR+85.740bp	(24,547)
September 18, 2029	500,000	EUR	647,400	LIBOR+85.170bp	(24,297)
September 18, 2029	500,000	EUR	647,050	LIBOR+84.520bp	(23,371)
					(273,174)

(Thousands of U.S. dollars)

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, 2015, 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, 2015 (level 2 fair value).

The fair value of the medium term notes at June 30, 2015 is as follows:

Expiry	Notional value	Currency	Fair value (USD)
January 15, 2016	1,000,000	USD	1,000,000
July 7, 2016	600,000	NOK	80,872
July 13, 2016	600,000	SEK	77,673
January 15, 2018	1,000,000	USD	999,905
September 6, 2018	150,000	AUD	122,892
September 23, 2019	100,000	AUD	81,509
January 31, 2020	100,000	CAD	83,799
July 9, 2020	750,000	EUR	870,170
March 18, 2022	1,000,000	EUR	1,095,611
July 15, 2023	1,000,000	USD	993,558
September 18, 2029	1,500,000	EUR	1,646,959
			7,052,948

(Thousands of U.S. dollars)

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, 2015 and December 31, 2014.

			Fair value measurements using		
As at June 30, 2015	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 interest rate swaps	(703,251)	(703,251)	–	(703,251)	–

			Fair value measurements using		
As at December 31, 2014	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 interest rate swaps	(273,174)	(273,174)	–	(273,174)	–

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, 2015	December 31, 2014
Non-current liability	(703,251)	(273,174)
	(703,251)	(273,174)

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, 2015 and 2014
(Thousands of U.S. dollars)
(Unaudited)

11. Supplemental cash flow information

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Interest receivable	(169)	2,309
Accounts payable and accrued liabilities	3,016	(12)
Income taxes receivable	–	4
Interest payable (related party loans)	169	(2,309)
Change in related party loans related to fair value of derivatives:		
Current asset	–	5,293
Non-current asset	(430,077)	41,425
Current liability	–	(4,839)
Non-current liability	–	45,802
Net change in non-cash working capital	(427,061)	87,673