

Unaudited Financial Statements of

**TOTAL CAPITAL
CANADA LTD.**

For the six month periods ended June 30, 2011 and 2010



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Independent Auditors' Report on Review of Interim Financial Information

To the Shareholder and the 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, 2011 and December 31, 2010, the statements of income (loss) and other comprehensive income (loss) and retained earnings and cash flows for the six-month periods ended June 30, 2011 and 2010 and notes, comprising a summary of significant accounting policies and other explanatory information ("the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information 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 information 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 information does not give a true and fair view of the financial position of Total Capital Canada Ltd. as at June 30, 2011 and December 31, 2010 and of the results of its operations for the the six-month periods ended June 30, 2011 and 2010 in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG LLP

Chartered Accountants

Calgary, Canada

July 28, 2011

TOTAL CAPITAL CANADA LTD.

Statements of Financial Position

(Thousands of Canadian dollars)
(Unaudited)

	As at June 30, 2011	As at December 31, 2010
Assets		
Current assets		
Cash	110	157
Related party loans (note 4)	64,294	–
Fair value of derivatives (note 8)	–	5,879
	<u>64,404</u>	<u>6,036</u>
Related party loans (note 4)	5,922,362	3,545,795
Deferred tax asset	35	–
	<u>5,986,801</u>	<u>3,551,831</u>
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	23	40
Income taxes payable	–	18
Related party loans (note 4)	–	5,879
Fair value of derivatives (note 8)	64,294	–
Debt (note 5)	3,411,598	3,545,705
	<u>3,475,915</u>	<u>3,551,642</u>
Debt (note 5)	2,510,794	–
Shareholder's equity		
Share capital (note 6)	50	50
Retained earnings	42	139
	<u>92</u>	<u>189</u>
	<u>5,986,801</u>	<u>3,551,831</u>

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Statements of Income (Loss) and Other Comprehensive Income (Loss) and Retained Earnings

(Thousands of Canadian dollars)
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Finance income (note 7)	280,094	146,541
Finance expense (note 7)	(280,226)	(146,140)
Net finance income (loss) before income tax expense	(132)	401
Income tax expense		
Current income tax expense	–	111
Deferred income tax expense (recovery)	(35)	1
	(35)	112
Net income (loss) and other comprehensive income (loss)	(97)	289
Retained earnings, beginning of period	139	93
Retained earnings, end of period	42	382

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Statements of Cash Flows

(Thousands of Canadian dollars)
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash provided by (used in)		
Operating		
Net income (loss) for the period	(97)	289
Deferred income tax expense (recovery)	(35)	1
Fair value of derivatives (note 8)	70,173	32,080
	70,041	32,370
Net change in non-cash working capital	(70,208)	(32,706)
Cash used in operating activities	(167)	(336)
Financing		
Proceeds from debt	2,376,687	240,568
Investing		
Increase in related party loans	(2,376,567)	(240,238)
Change in cash	(47)	(6)
Cash, beginning of period	157	116
Cash, end of period	110	110

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian 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"), a wholly-owned subsidiary of Total S.A. that 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 with TEPC have no fixed terms of repayment 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, the Company has a working capital deficit of \$3,411,511 at June 30, 2011. The ultimate recoverability of its related party loan from TEPC is dependent upon TEPC successfully developing its oil sands reserves, obtaining positive cash flow as well as receiving the continued support of Total S.A.

2. Basis of presentation

(a) Statement of compliance

The financial statements have been prepared in accordance with IAS 34 of the International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by the Board of Directors on July 28, 2011.

(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.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 2

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

2. Basis of presentation (continued)

(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 debt facilities and foreign exchange contracts described in notes 5 and 8.

3. Significant accounting policies

(a) Foreign currency translation

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash, 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.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 3

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

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.

Other

Other non-derivative financial instruments which include related party loans, accounts payable and accrued liabilities and debts 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.

(c) Cash

Cash is comprised of cash and investments with an original maturity of three months or less.

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Notes to the Financial Statements, page 4

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

3. Significant accounting policies (continued)

(d) 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.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Finance income and expenses

Finance expense comprises interest expense on borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets.

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.

4. Related party loans

Related party loans are comprised of Canadian dollar loans to TEPC. TEPC is a wholly-owned subsidiary of Total S.A. The loans are primarily long-term in nature as they have no fixed terms of repayment. TCCL charges TEPC interest at the market rate applicable to TCCL for the corresponding interest period.

At June 30, 2011, the current 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 twelve months.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 5

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

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 program, and is also named as an issuer under Total S.A.'s \$2 billion Canadian 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 recorded 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 following tables summarize the face value and book value of the commercial paper:

June 30, 2011	Original currency	Face value	Book value (CAD)
Due July 13, 2011 at 0.330%	US	313,000	301,392
Due July 14, 2011 at 0.330%	US	386,000	371,665
Due July 19, 2011 at 0.330%	US	356,000	342,794
Due August 9, 2011 at 0.410%	US	180,000	173,048
Due August 19, 2011 at 0.400%	US	92,000	88,450
Due August 19, 2011 at 0.410%	US	26,000	24,998
Due September 8, 2011 at 0.400%	US	100,000	96,143
Due September 8, 2011 at 0.410%	US	366,000	351,857
Due September 15, 2011 at 0.410%	US	370,000	355,699
Due September 15, 2011 at 0.320%	US	100,000	96,291
Due September 15, 2011 at 0.320%	US	100,000	96,291
Due September 16, 2011 at 0.450%	US	334,000	320,995
Due September 16, 2011 at 0.320%	US	100,000	96,291
Due October 4, 2011 at 0.420%	US	48,000	46,145
Due December 15, 2011 at 0.430%	US	200,000	192,260
Due December 15, 2011 at 0.430%	US	200,000	192,260
Due December 15, 2011 at 0.430%	US	100,000	96,130
Due December 16, 2011 at 0.430%	US	100,000	96,130
Due December 16, 2011 at 0.430%	US	50,000	48,064
Due August 19, 2011 at 1.381%	CAD	25,000	24,695
			3,411,598

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 6

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

5. Debt (continued)

(a) Commercial paper (continued)

December 31, 2010	Original currency	Face value	Book value (CAD)
Due January 13, 2011 at 0.520%	US	295,000	293,288
Due January 14, 2011 at 0.530%	US	367,000	364,865
Due January 19, 2011 at 0.520%	US	339,000	336,974
Due February 25, 2011 at 0.320%	US	241,000	239,307
Due February 25, 2011 at 0.330%	US	88,000	87,379
Due March 3, 2011 at 0.350%	US	460,000	456,637
Due June 22, 2011 at 0.450%	US	300,000	296,253
Due August 9, 2011 at 0.410%	US	180,000	177,514
Due August 19, 2011 at 0.400%	US	92,000	90,675
Due August 19, 2011 at 0.410%	US	26,000	25,640
Due September 8, 2011 at 0.400%	US	100,000	98,523
Due September 8, 2011 at 0.410%	US	366,000	360,595
Due September 15, 2011 at 0.410%	US	370,000	364,390
Due September 16, 2011 at 0.450%	US	334,000	328,881
Due August 19, 2011 at 1.381%	CAD	25,000	24,784
			3,545,705

(b) Medium term notes

TCCL may issue notes under Total S.A.'s \$4 billion Canadian Medium Term Note Program, the €20 billion Euro Medium Term Note Program and the US Medium Term Note Program. Interest will be charged at a fixed or floating rate determined at the time of issuance. The repayment terms of the notes will be determined at the time of issuance. Total S.A. has fully and unconditionally guaranteed any medium term notes issued as to payment of principal, premium, if any, interest and any other amounts due.

On January 28, 2011, TCCL completed an offering of \$748.3 million principal amount of 1.625% notes for net cash proceeds of \$745.9 million. These fixed rate notes incur interest payments semi-annually on January 28 and July 28 of each year, and mature on January 28, 2014. TCCL may redeem the guaranteed 1.625% 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.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 7

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

5. Debt (continued)

(b) Medium term notes (continued)

On January 28, 2011, TCCL completed an offering of \$746.8 million principal amount of floating rate notes for net cash proceeds of \$745.9 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 17, April 17, July 17 and October 17 of each year beginning on April 17, 2011. The floating rate notes mature on January 17, 2014.

On February 4, 2011, TCCL completed an offering of \$100.3 million principal amount of 5.75% notes for net cash proceeds of \$99.4 million. These fixed rate notes incur interest payments annually on February 4 of each year, and mature on February 4, 2014. TCCL may redeem the 5.75% 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 May 24, 2011, TCCL completed an offering of \$975.9 million principal amount of floating rate notes for net cash proceeds of \$975.5 million. These floating rate notes bear interest at an interest rate for each interest period equal to the 3-month US dollar LIBOR plus 9 basis points. TCCL will pay interest on the floating rate notes on February 13, May 13, August, 13 and November 13 of each year beginning on August 13, 2011. The floating rate notes mature on May 13, 2013.

(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 by TCCL.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 8

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

5. Debt (continued)

(d) Summary of debt outstanding

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

	June 30, 2011	December 31, 2010
Commercial papers	3,411,598	3,545,705
Medium term notes	2,510,794	–
Total	5,922,392	3,545,705

6. Shareholder's equity

(a) Structure of the share capital

The Company is authorized to issue an unlimited number of common shares, and as of June 30, 2011 and December 31, 2010, 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.

(b) Changes in shareholder's equity

As at June 30, 2011	Opening balance	Net loss 2011	Closing balance
Share Capital	50	–	50
Retained Earnings	139	(97)	42
Total Shareholder's Equity	189	(97)	92

As at December 31, 2010	Opening balance	Net income 2010	Closing balance
Share Capital	50	–	50
Retained Earnings	93	46	139
Total Shareholder's Equity	143	46	189

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 9

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

7. Finance income and finance expenses

(a) Finance income

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Income on related party loans	215,090	114,067
Management fee with related party	710	30
Other financial income	64,294	32,444
	<u>280,094</u>	<u>146,541</u>

The Company obtains financing and lends the proceeds to TEPC. All finance expenses incurred by the Company related to these activities are recovered from TEPC.

(b) Finance expenses

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest	21,564	4,211
Finance fees	732	–
Foreign exchange loss	193,636	109,849
Loss on derivatives (Note 8)	64,294	32,080
	<u>280,226</u>	<u>146,140</u>

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Notes to the Financial Statements, page 10

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

7. Finance income and finance expenses (continued)

(b) Finance expenses (continued)

The following table summarizes the foreign exchange gains and losses:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Loss on translation of foreign currency denominated debt	345,827	148,996
Gain on foreign exchange contracts	(152,191)	(39,147)
	193,636	109,849

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 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.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 11

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

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 receivables from borrowers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at June 30, 2011 was \$5,922,472 (December 31, 2010 - \$3,545,952).

	June 30, 2011	December 31, 2010
Carrying amount		
Cash	110	157
Related party loans	5,922,362	3,545,795
Total	5,922,472	3,545,952

All of the Company's revenue and receivables are from TEPC as the sole customer. 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.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements, page 12

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

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

(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 contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Less than one year	Greater than one year
Non-derivative financial liabilities				
Debt	5,922,392	5,922,392	3,411,598	2,510,794
Other payables	23	23	23	–
	5,922,415	5,922,415	3,411,621	2,510,794

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 in order to manage volatility in profit or loss.

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Notes to the Financial Statements, page 13

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

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

(d) Market risk (continued)

(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 by entering into foreign exchange swap contracts with Total Capital, a 100% owned subsidiary of Total S.A. Gains or losses on the foreign exchange swap contracts are flowed through to TEPC, so that the Company's exposure to foreign currency exchange risk is insignificant.

At June 30, 2011, the Company has the following foreign exchange swap contracts:

Expiry	Notional value	Currency	Rate	Fair value (CAD)
July 13, 2011	313,000	US	0.9904	(1,342)
July 14, 2011	386,000	US	0.9930	(1,672)
July 19, 2011	356,000	US	0.9912	(1,491)
August 9, 2011	180,000	US	1.0119	(1,113)
August 19, 2011	92,000	US	1.0250	(566)
August 19, 2011	26,000	US	1.0340	(132)
September 8, 2011	466,000	US	1.0101	(2,398)
September 15, 2011	370,000	US	1.0172	(1,853)
September 15, 2011	100,000	US	0.9799	(222)
September 15, 2011	100,000	US	0.9796	(221)
September 16, 2011	334,000	US	1.0117	(1,606)
September 16, 2011	100,000	US	0.9798	(219)
October 4, 2011	48,000	US	0.9992	(237)
December 15, 2011	200,000	US	0.9833	(378)
December 15, 2011	200,000	US	0.9836	(389)
December 15, 2011	100,000	US	0.9830	(193)
December 16, 2011	100,000	US	0.9829	(192)
December 16, 2011	50,000	US	0.9830	(85)
May 13, 2013	1,000,000	US	0.9862	(12,683)
January 17, 2014	750,000	US	0.9988	(26,548)
January 28, 2014	750,000	US	0.9968	(16,962)
February 4, 2014	100,000	AUD	0.9916	6,208
				(64,294)

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Notes to the Financial Statements, page 14

For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

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

(d) Market risk (continued)

(i) Currency risk (continued)

At December 31, 2010 the Company has the following foreign exchange swap contracts:

Expiry	Notional value	Currency	Rate	Fair value (CAD)
January 13, 2011	295,000	US	1.0449	206
January 14, 2011	367,000	US	1.0334	548
January 19, 2011	339,000	US	1.0379	267
February 25, 2011	241,000	US	1.0606	212
February 25, 2011	88,000	US	1.0672	83
March 3, 2011	460,000	US	1.0555	396
June 22, 2011	300,000	US	1.0377	(28)
August 9, 2011	180,000	US	1.0119	393
August 19, 2011	92,000	US	1.0250	172
August 19, 2011	26,000	US	1.0340	76
September 8, 2011	466,000	US	1.0101	1,399
September 15, 2011	370,000	US	1.0172	1,151
September 16, 2011	334,000	US	1.0117	1,004
				5,879

At June 30, 2010 the Company has the following foreign exchange swap contracts:

Expiry	Notional value	Currency	Rate	Fair value (CAD)
July 8, 2010	110,000	US	1.0035	(1,590)
July 8, 2010	100,000	US	1.0032	(1,019)
July 8, 2010	100,000	US	1.0035	(548)
July 14, 2010	377,000	US	1.0020	(3,838)
July 15, 2010	346,000	US	0.9984	(3,519)
July 16, 2010	305,000	US	0.9990	(3,091)
August 4, 2010	45,000	US	1.0063	(447)
August 9, 2010	325,000	US	1.0371	(3,133)
August 19, 2010	122,000	US	1.0275	(1,189)
August 20, 2010	318,000	US	1.0474	(3,098)
August 26, 2010	357,000	US	1.0818	(3,296)
August 27, 2010	235,000	US	1.0840	(2,168)
September 1, 2010	60,000	US	1.0498	(582)
September 3, 2010	200,000	US	1.0401	(982)
September 3, 2010	268,000	US	1.0401	(3,580)
				(32,080)

TOTAL CAPITAL CANADA LTD.

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For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

8. Financial risk management and financial instruments overview (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 floating interest rate medium term notes fluctuates with the interest rates posted by the lenders. Any change in interest rates resulting in changes to interest expense will be flowed through to TEPC so that the Company's exposure to interest rate risk is insignificant.

9. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. 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.

(i) Cash, accounts payable and accrued liabilities and debt

The fair value of cash, accounts payable and accrued liabilities and commercial papers (current debt) is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At June 30, 2011 and December 31, 2010, 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 (non-current debt) at June 30, 2011 are as follows:

Expiry	Notional value	Currency	Rate	Fair value (CAD)
May 13, 2013	1,000,000	US	0.9862	964,754
January 17, 2014	750,000	US	0.9988	721,365
January 28, 2014	750,000	US	0.9968	730,733
February 4, 2014	100,000	AUD	0.9916	105,869
				<u>2,522,721</u>

(ii) Foreign exchange swap contracts

The fair value of forward exchange 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.

TOTAL CAPITAL CANADA LTD.

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(Thousands of Canadian dollars) (Unaudited)

9. Determination of fair values (continued)

The following tables provide fair value measurement information for financial assets and liabilities as of June 30, 2011 and December 31, 2010. As the carrying value of cash, accounts payable and accrued liabilities included in the balance sheet approximate fair value due to the short term nature of those instruments, these assets and liabilities are not included in the following tables.

	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, 2011					
Derivatives					
Fair value of foreign exchange swaps	(64,294)	(64,294)	-	(64,294)	-

	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, 2010					
Derivatives					
Fair value of foreign exchange swaps	5,879	5,879	-	5,879	-

The unrealized loss on the foreign exchange swap contracts is \$64,294 (December 31, 2010 - \$5,879 gain, June 30, 2010 - \$32,080 loss).

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.

TOTAL CAPITAL CANADA LTD.

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For the six months ended June 30, 2011 and 2010
(Thousands of Canadian dollars) (Unaudited)

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 on the Company's debt.