Financial Statements of

TOTAL CAPITAL CANADA LTD.

For the six month periods ended June 30, 2012 and 2011

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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, 2012, the related statements of income (loss) and other comprehensive income (loss) and retained earnings and cash flows for the six-month periods ended June 30, 2012 and 2011, and notes, comprising a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 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 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, 2012, and of its financial performance and its cash flows for the six-month periods ended June 30, 2012 and 2011 in accordance with IAS 34, "Interim Financial Reporting".

KPMG LLP

Chartered Accountants

July 25, 2012

Calgary, Canada

TOTAL CAPITAL CANADA LTD.

Statements of Financial Position

(Thousands of Canadian dollars)
(Unaudited)

	As at June 30, 2012	As at December 31, 2011
Assets		
Current assets		
Cash	119	143
Income taxes receivable	–	15
Interest receivable	8,016	6,565
Related party loans (note 4)	–	1,097
Fair value of derivatives (note 8 and 9)	46,256	–
	54,391	7,820
Related party loans (note 4)	5,901,136	5,277,108
Fair value of derivatives (note 8 and 9)	59,052	102,932
Deferred tax asset	84	–
	6,014,663	5,387,860
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	22	30
Income taxes payable	70	–
Related party loans (note 4)	54,272	6,565
Fair value of derivatives (note 8 and 9)	–	1,097
Debt (note 5)	4,082,745	2,444,491
	4,137,109	2,452,183
Related party loans (note 4)	59,052	102,932
Debt (note 5)	1,818,301	2,832,548
Shareholder's equity		
Share capital (note 6)	50	50
Retained earnings	151	147
	201	197
	6,014,663	5,387,860

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 Other Comprehensive Income (Loss) and Retained Earnings

(Thousands of Canadian dollars)
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Finance income (note 7)	116,839	285,973
Finance expense (note 7)	(116,834)	(286,105)
Net finance income (loss) before income tax expense	5	(132)
Income tax expense		
Current income tax expense	85	–
Deferred income tax recovery	(84)	(35)
	1	(35)
Net income (loss) and other comprehensive income (loss)	4	(97)
Retained earnings, beginning of period	147	139
Retained earnings, end of period	151	42

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Statements of Cash Flows

(Thousands of Canadian dollars)
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Cash provided by (used in)		
Operating		
Net income (loss) for the period	4	(97)
Deferred income tax recovery	(84)	(35)
Fair value of derivatives (note 8 and 9)	(3,473)	70,173
	(3,553)	70,041
Net change in non-cash working capital	3,550	(70,208)
Cash used in operating activities	(3)	(167)
Financing		
Net proceeds from debt	624,007	2,376,687
Investing		
Increase in related party loans	(624,028)	(2,376,567)
Change in cash	(24)	(47)
Cash, beginning of period	143	157
Cash, end of period	119	110

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"), 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 to 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, TCCL has a working capital deficit of $4.1 billion at June 30, 2012. The ultimate recoverability of the related party loans from TEPC is dependent upon TEPC successfully developing its oil sands reserves and realizing positive cash flows from its operations as well as receiving the continued support of Total S.A.

2. Basis of presentation

(a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on July 25, 2012.

(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.

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 and interest rate 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. 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, 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.

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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 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.

(c) Cash

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

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.

(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. 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, 2012, 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 as well as the interest receivable.

(Thousands of Canadian dollars)

5. Debt

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

(a) Commercial paper

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

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

June 30, 2012	Original currency	Face value	Book value (CAD)
Due July 10, 2012 at 0.223%	US	351,000	357,264
Due July 19, 2012 at 0.185%	US	50,000	50,881
Due July 19, 2012 at 0.180%	US	54,000	54,951
Due July 19, 2012 at 0.190%	US	90,000	91,584
Due July 26, 2012 at 0.184%	US	376,000	382,550
Due August 2, 2012 at 0.210%	US	381,000	387,536
Due August 9, 2012 at 0.220%	US	75,000	76,276
Due August 9, 2012 at 0.220%	US	150,000	152,551
Due August 17, 2012 at 0.205%	US	440,000	447,378
Due September 5, 2012 at 0.224%	US	261,500	265,749
Due September 5, 2012 at 0.220%	US	64,000	65,036
Due September 14, 2012 at 0.330%	US	334,000	339,240
Due September 20, 2012 at 0.240%	US	100,000	101,580
Due September 20, 2012 at 0.240%	US	191,000	193,981
Due December 20, 2012 at 0.320%	US	97,000	98,258
			3,064,815

For the six months ended June 30, 2012 and 2011
(Thousands of Canadian dollars)
(Unaudited)

5. Debt (continued)

(a) Commercial paper (continued)

December 31, 2011	Original currency	Face value	Book value (CAD)
Due January 6, 2012 at 0.060%	US	200,000	203,375
Due January 6, 2012 at 0.030%	US	200,000	202,757
Due January 12, 2012 at 0.050%	US	131,000	132,806
Due January 18, 2012 at 0.100%	US	58,000	58,958
Due January 18, 2012 at 0.150%	US	280,000	284,645
Due January 27, 2012 at 0.110%	US	498,000	506,124
Due February 3, 2012 at 0.170%	US	100,000	101,621
Due February 29, 2012 at 0.200%	US	200,000	203,112
Due March 9, 2012 at 0.140%	US	322,000	326,874
Due March 15, 2012 at 0.100%	US	276,000	280,184
Due March 15, 2012 at 0.100%	US	92,000	93,392
Due June 18, 2012 at 0.200%	US	50,000	50,643
			2,444,491

(b) Medium term notes

TCCL issues 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 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 Canadian dollars)

5. Debt (continued)

(b) Medium term notes (continued)

The book value of the medium term notes at June 30, 2012 are as follows:

Expiry	Notional value	Currency	Rate	Book value (CAD)
May 13, 2013	1,000,000	US	0.9862	1,017,930
January 17, 2014	750,000	US	0.9988	763,117
January 28, 2014	750,000	US	0.9968	762,338
February 4, 2014	100,000	AUD	0.9916	103,737
July 7, 2016	600,000	NOK	0.9944	101,579
July 13, 2016	600,000	SEK	0.9955	87,530
				2,836,231

The book value of the medium term notes at December 31, 2011 are as follows:

Expiry	Notional value	Currency	Rate	Book value (CAD)
May 13, 2013	1,000,000	US	0.9862	1,016,729
January 17, 2014	750,000	US	0.9988	762,658
January 28, 2014	750,000	US	0.9968	760,584
February 4, 2014	100,000	AUD	0.9916	103,631
July 7, 2016	600,000	NOK	0.9944	101,044
July 13, 2016	600,000	SEK	0.9955	87,902
				2,832,548

On January 28, 2011, TCCL completed an offering of $748.3 million ($750.0 million US) 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, 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.

5. Debt (continued)

(b) Medium term notes (continued)

On January 28, 2011, TCCL completed an offering of $746.8 million ($750.0 million US) 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. The floating rate notes mature on January 17, 2014. In addition, TCCL may redeem the notes at any time at 100% of the principal amount upon the occurrence of certain tax events.

On February 4, 2011, TCCL completed an offering of $100.3 million ($100 million AUD) 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, 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 ($1.0 billion US) 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 pays interest on the floating rate notes on February 13, May 13, August, 13 and November 13. The floating rate notes mature on May 13, 2013. In addition, TCCL may redeem the notes at any time at 100% of the principal amount upon the occurrence of certain tax events. At June 30, 2012 these notes are recorded in short-term debt.

On July 7, 2011, TCCL completed an offering of $109.1 million (600.0 million NOK) principal amount of 4.00% notes for net cash proceeds of $108.9 million. These fixed rate notes incur interest payments annually on July 7, and mature on July 7, 2016. TCCL may redeem the 4.00% 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 13, 2011, TCCL completed an offering of $90.9 million (600.0 million SEK) principal amount of 3.625% notes for net cash proceeds of $90.7 million. These fixed rate notes incur interest payments annually on July 13, and mature on July 13, 2016. TCCL may redeem the 3.625% 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.

(Thousands of Canadian dollars)

5. Debt (continued)

(c) Revolving credit line

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

(d) Summary of debt outstanding

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

	June 30, 2012	December 31, 2011
Commercial paper	3,064,815	2,444,491
Medium term notes	2,836,231	2,832,548
Total	5,901,046	5,277,039

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

	June 30, 2012	December 31, 2011
Commercial paper	3,064,815	2,444,491
Medium term notes	1,017,930	-
Total	4,082,745	2,444,491

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, 2012, 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.

(Thousands of Canadian dollars)

6. Shareholder's equity (continued)

(b) Changes in shareholder's equity

As at June 30, 2012	Opening balance	Net income 2012	Closing balance
Share capital	50	–	50
Retained earnings	147	4	151
Total shareholder's equity	197	4	201

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

(Thousands of Canadian dollars)

7. Finance income and finance expense

(a) Finance income

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Income on related party loans	113,216	215,090
Management fee with related party	150	710
Gain on derivatives (note 8)	3,473	–
Other financial income	–	70,173
	116,839	285,973

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 expense

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Interest	26,004	21,564
Finance fees	145	732
Foreign exchange loss	87,212	193,636
Loss on derivatives (note 8)	–	70,173
Other financial expense	3,473	–
	116,834	286,105

(Thousands of Canadian dollars)

7. Finance income and finance expense (continued)

(b) Finance expense (continued)

The following table summarizes the foreign exchange gains and losses:

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Loss on translation of foreign currency denominated debt	88,149	345,827
Gain on foreign exchange contracts	(937)	(152,191)
	87,212	193,636

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.

(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.

(Thousands of Canadian dollars)

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

(b) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at June 30, 2012 was $6,014,579 (December 31, 2011 - $5,386,748).

Carrying amount	June 30, 2012	December 31, 2011
Cash	119	143
Interest receivable	8,016	6,565
Fair value of derivatives	105,308	101,835
Related party loans	5,901,136	5,278,205
Total	6,014,579	5,386,748

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.

(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 at June 30, 2012:

	Carrying amount	Contractual cash flows	Less than one year	Greater than one year
Non-derivative financial liabilities				
Debt	5,901,046	5,901,046	4,082,745	1,818,301
Related party loans	113,324	113,324	54,272	59,052
Other payables	92	92	92	–
	6,014,462	6,014,462	4,137,109	1,877,353

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

(c) Liquidity risk (continued)

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.

(i) Currency risk

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

(Thousands of Canadian dollars)

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

(d) Market risk (continued)

(i) Currency risk (continued)

At June 30, 2012, the Company has the following foreign exchange forward contracts:

Expiry	Notional value	Currency	Rate	Fair value (CAD)
July 10, 2012	351,000	US	0.9905	5
July 19, 2012	90,000	US	0.9900	4
July 19, 2012	54,000	US	1.0320	4
July 19, 2012	50,000	US	1.0244	4
July 26, 2012	376,000	US	1.0010	34
August 2, 2012	381,000	US	1.0260	35
August 9, 2012	75,000	US	1.0244	15
August 9, 2012	150,000	US	1.0190	29
August 17, 2012	440,000	US	1.0115	92
September 5, 2012	261,500	US	1.0244	127
September 5, 2012	64,000	US	1.0330	28
September 14, 2012	334,000	US	1.0240	219
September 20, 2012	100,000	US	1.0190	72
September 20, 2012	191,000	US	1.0190	271
December 20, 2012	97,000	US	1.0190	286
				1,225

(Thousands of Canadian dollars)

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

(d) Market risk (continued)

(i) Currency risk (continued)

At December 31, 2011 the Company has the following foreign exchange forward contracts:

Expiry	Notional value	Currency	Rate	Fair value (CAD)
January 6, 2012	200,000	US	1.0420	(71)
January 6, 2012	200,000	US	1.0132	(6)
January 12, 2012	131,000	US	1.0133	1
January 18, 2012	280,000	US	0.9906	(607)
January 18, 2012	58,000	US	1.0162	(42)
January 27, 2012	498,000	US	1.0385	(337)
February 3, 2012	100,000	US	1.0325	(148)
February 29, 2012	200,000	US	0.9835	(313)
March 9, 2012	322,000	US	1.0116	49
March 15, 2012	276,000	US	1.0430	169
March 15, 2012	92,000	US	1.0360	52
June 18, 2012	50,000	US	1.0375	156
				(1,097)

(ii) Interest rate risk

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

(Thousands of Canadian dollars)

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

(d) Market risk (continued)

(ii) Interest rate risk (continued)

At June 30, 2012, the Company has the following cross currency interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (CAD)	Swap rate	Fair value (CAD)
May 13, 2013	1,000,000	US	390,160	CDOR+13.45bp	18,224
			585,750	CDOR+13.75bp	26,807
January 17, 2014	750,000	US	745,875	CDOR+53.00bp	17,999
January 28, 2014	750,000	US	745,875	CDOR+52.55bp	27,889
February 4, 2014	100,000	AUD	99,430	CDOR+47.25bp	9,310
July 7, 2016	600,000	NOK	108,852	CDOR+52.00bp	80
July 13, 2016	600,000	SEK	90,673	CDOR+50.50bp	3,774
					104,083

At December 31, 2011, the Company has the following cross currency interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (CAD)	Swap rate	Fair value (CAD)
May 13, 2013	1,000,000	US	390,160	CDOR+13.45bp	17,782
			585,750	CDOR+13.75bp	26,135
January 17, 2014	750,000	US	745,875	CDOR+53.00bp	16,628
January 28, 2014	750,000	US	745,875	CDOR+52.55bp	29,332
February 4, 2014	100,000	AUD	99,430	CDOR+47.25bp	12,276
July 7, 2016	600,000	NOK	108,852	CDOR+52.00bp	(3,165)
July 13, 2016	600,000	SEK	90,673	CDOR+50.50bp	3,944
					102,932

(Thousands of Canadian 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, 2012, the fair value of these balances approximated their carrying value due to their short term to maturity.

The fair value of the medium term notes at June 30, 2012 are as follows:

Expiry	Notional value	Currency	Rate	Fair value (CAD)
May 13, 2013	1,000,000	US	0.9862	1,022,800
January 17, 2014	750,000	US	0.9988	765,875
January 28, 2014	750,000	US	0.9968	775,543
February 4, 2014	100,000	AUD	0.9916	108,959
July 7, 2016	600,000	NOK	0.9944	109,250
July 13, 2016	600,000	SEK	0.9955	94,713
				2,877,140

(b) Foreign exchange and interest rate swap contracts

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

(Thousands of Canadian dollars)

9. Determination of fair values (continued)

The following tables provide fair value measurement information for financial assets and liabilities as of June 30, 2012 and December 31, 2011. As the carrying value of cash, interest receivable, 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.

			Fair value measurements using		
As at June 30, 2012	Carrying amount	Fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Derivatives					
Fair value of foreign exchange forwards	1,225	1,225	–	1,225	–
Fair value of cross currency interest rate swaps	104,083	104,083	–	104,083	–
	105,308	105,308	–	105,308	–

			Fair value measurements using		
As at December 31, 2011	Carrying amount	Fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Derivatives					
Fair value of foreign exchange forwards	(1,097)	(1,097)	–	(1,097)	–
Fair value of cross currency interest rate swaps	102,932	102,932	–	102,932	–
	101,835	101,835	–	101,835	–

Level 1 Fair Value Measurements

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

Level 2 Fair Value Measurements

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

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable information.

10. Capital management

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