Financial Statements of

TOTAL CAPITAL CANADA LTD.

Years ended December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Shareholder and Directors of Total Capital Canada Ltd.

We have audited the accompanying financial statements of Total Capital Canada Ltd. (the “Company”), which comprise the statement of financial position as at December 31, 2010 and 2009 and the statements of income (loss) and other comprehensive income (loss) and retained earnings and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

Calgary, Canada
February 10, 2011

TOTAL CAPITAL CANADA LTD.

Statements of Financial Position

As at December 31
(Thousands of Canadian dollars)

	2010	2009
Assets		
Current assets		
Cash	157	116
Income taxes receivable	–	11
Fair value of derivatives (note 8)	5,879	–
	6,036	127
Related party loans (note 4)	3,545,795	3,237,862
	3,551,831	3,237,989
Liabilities and Shareholder’s Equity		
Current liabilities		
Accounts payable and accrued liabilities	40	712
Income taxes payable	18	–
Related party loans (note 4)	5,879	–
Debt (note 5)	3,545,705	3,237,134
	3,551,642	3,237,846
Shareholder’s equity		
Share capital (note 6)	50	50
Retained earnings	139	93
	189	143
Subsequent event (note 5)		
	3,551,831	3,237,989

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

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

Years ended December 31
(Thousands of Canadian dollars)

	2010	2009
Finance income (note 7)	164,716	17,001
Finance expense (note 7)	(164,652)	(17,003)
Net finance income (loss) before income tax expense	64	(2)
Income tax expense		
Current income tax expense	17	15
Deferred income tax expense (recovery)	1	(1)
	18	14
Net income (loss) and other comprehensive income (loss)	46	(16)
Retained earnings, beginning of year	93	109
Retained earnings, end of year	139	93

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Statements of Cash Flows

Years ended December 31
(Thousands of Canadian dollars)

	2010	2009
Cash provided by (used in)		
Operating		
Net income (loss) for the year	46	(16)
Deferred income tax expense (recovery)	1	(1)
Fair value of derivatives (note 8)	(5,879)	–
	(5,832)	(17)
Net change in non-cash working capital	5,235	702
Cash provided by operating activities	(597)	685
Financing		
Proceeds from debt	308,571	641,238
Investing		
Increase in related party loans	(307,933)	(641,906)
Change in cash	41	17
Cash, beginning of year	116	99
Cash, end of year	157	116

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 operates 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 recorded as a long-term asset. The debt is current in nature and as a result, the Company has a working capital deficit of $3,545,606. 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 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 Financial Reporting Standards (“IFRS”).

The financial statements were authorized for issue by the Board of Directors on February 10, 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.

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.

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 classified 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 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.

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 December 31, 2010, the current portion of the related party loans is offset by the fair of the derivatives contracts entered into by the Company which expire within the next twelve months.

(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 as described below.

(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 Short Term Promissory Notes 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 summarizes the face value and book value of the commercial paper as at December 31, 2010 and 2009:

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

(Thousands of Canadian dollars)

5. Debt (continued)

(a) Commercial paper (continued)

December 31, 2009	Original currency	Face value	Book value (CAD)
Due January 8, 2010 at 0.220%	US	252,000	263,743
Due January 14, 2010 at 0.220%	US	364,000	380,962
Due January 15, 2010 at 0.220%	US	331,000	346,425
Due January 20, 2010 at 0.220%	US	276,000	288,862
Due January 20, 2010 at 0.200%	US	15,000	15,699
Due February 10, 2010 at 0.210%	US	308,000	322,253
Due February 17, 2010 at 0.210%	US	174,000	182,108
Due February 17, 2010 at 0.210%	US	143,000	149,664
Due February 19, 2010 at 0.210%	US	123,000	128,732
Due February 25, 2010 at 0.210%	US	461,000	482,483
Due February 26, 2010 at 0.210%	US	162,000	169,549
Due March 4, 2010 at 0.210%	US	13,000	13,606
Due March 4, 2010 at 0.210%	US	426,000	445,951
Due March 4, 2010 at 0.200%	US	19,000	19,885
Due April 8, 2010 at 0.200%	US	26,000	27,212
			3,237,134

(b) Medium term notes

TCCL may issue notes under Total S.A.'s $4 billion Canadian Medium Term Note Program and the €20 billion Euro Medium Term Note Program. The Company is also an issuer under a US shelf prospectus. 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. will fully and unconditionally guarantee any medium term notes issued as to payment of principal, premium, if any, interest and any other amounts due. As of December 31, 2010, no medium term notes have been issued. Subsequent to December 31, 2010, the Company has issued $1.6 billion in medium term notes.

(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.

(Thousands of Canadian dollars)

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 December 31, 2010 and 2009, 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

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

December 31, 2009	Opening balance	Net loss 2009	Closing balance
Share Capital	50	–	50
Retained Earnings	109	(16)	93
Total Shareholder's Equity	159	(16)	143

7. Finance income and finance expenses

(a) Finance income

	2010	2009
Interest income on related party loan	147,796	16,941
Management fee with related party	1,376	60
Gain on derivatives (Note 8)	5,879	–
Other financial income	9,665	–
	164,716	17,001

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

(Thousands of Canadian dollars)

7. Finance income and finance expenses (continued)

(b) Finance expenses

	2010	2009
Interest	12,461	12,378
Finance fees	1,395	14
Other financial expense	5,879	–
Foreign exchange loss	144,917	4,611
	164,652	17,003

The following table summarizes the foreign exchange gains and losses for the years ending December 31, 2010 and 2009:

	2010	2009
Loss on translation of U.S. dollar denominated debt	182,301	517,762
(Gain) on foreign exchange contracts	(37,384)	(513,151)
Foreign exchange loss	144,917	4,611

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.

(Thousands of Canadian dollars)

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

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from borrowers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was $3,545,952 (2009 - $3,237,978).

Carrying amount	2010	2009
Cash	157	116
Related party loans	3,545,795	3,237,862
Total	3,545,952	3,237,978

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company's debts are unconditionally guaranteed by Total S.A.

(Thousands of Canadian dollars)

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

(c) Liquidity risk (continued)

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	3,545,705	3,545,705	3,545,705	–
Other payables	58	58	58	–
Related party loans	5,879	5,879	5,879	–
	3,551,642	3,551,642	3,551,642	–

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.

(Thousands of Canadian dollars)

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. Any gain or loss on the foreign exchange swap contracts will be flowed through to TEPC, so that the Company's exposure to foreign currency exchange risk is insignificant.

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

(Thousands of Canadian dollars)

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

(d) Market risk (continued)

(i) Currency risk (continued)

At December 31, 2009 the Company has the following foreign exchange swap contracts:

Expiry	Notional value	Currency	Rate	Fair value (CAD)
January 8, 2010	252,000	US	1.0560	8
January 14, 2010	364,000	US	1.0306	4
January 15, 2010	331,000	US	1.0287	7
January 20, 2010	276,000	US	1.0313	11
January 20, 2010	15,000	US	1.0805	–
February 10, 2010	308,000	US	1.0626	2
February 17, 2010	143,000	US	1.0516	1
February 17, 2010	174,000	US	1.0517	1
February 19, 2010	123,000	US	1.0610	1
February 25, 2010	461,000	US	1.0571	(11)
February 26, 2010	162,000	US	1.0570	(7)
March 4, 2010	13,000	US	1.0506	(1)
March 4, 2010	426,000	US	1.0565	(16)
March 4, 2010	19,000	US	1.0623	–
April 8, 2010	26,000	US	1.0454	–
				–

(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 outstanding bank loan 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.

(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, 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 debt is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2010 and 2009, the fair value of these balances approximated their carrying value due to their short term to maturity.

(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.

The following tables provide fair value measurement information for financial assets and liabilities as of December 31, 2010 and 2009. As the carrying value of cash, accounts payable and accrued liabilities and debt 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		
2010	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 swaps	5,879	5,879	-	5,879	-

9. Determination of fair values (continued)

			Fair value measurements using		
2009	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 swaps	-	-	-	-	-

The unrealized gain on the foreign exchange swap contracts is $5,879 (December 31, 2009 - $nil).

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.

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 shareholders' equity. The Company's shareholders' 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.