This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, International Standards on Auditing.

TotalEnergies Capital Canada

Period from January 1 to December 31, 2022

TotalEnergies SE's statutory auditor's report on the audit of TotalEnergies Capital Canada's financial statements

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TotalEnergies Capital Canada

Period from January 1 to December 31, 2022

TotalEnergies SE's statutory auditor's report on the audit of TotalEnergies Capital Canada's financial statements

To the Chairman and Chief Executive Officer,

Opinion

In our capacity as statutory auditor of TotalEnergies SE and in accordance with your request, we have audited the financial statements of TotalEnergies Capital Canada, controlled by your Company, which comprise the balance sheet as at December 31, 2022 as well as the income statement, the statement of changes in equity and the statement of cash flows for the period from January 1 to December 31, 2022, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects financial position of TotalEnergies Capital Canada as at December 31,2022, and its financial performance and cash flows for the year then ended, in accordance with IFRSs as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in France, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, 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.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, in particular, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and inform them of all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate threats and the safeguards applied.

Restriction on Use of our Report

This report has been prepared for your attention. We assume or take no responsibility in respect of a third parties to whom this report is distributed or made available

This report is governed by and construed in accordance with French law. The courts of France shall have exclusive jurisdiction in relation to any claim or dispute concerning the engagement letter or this report, and any matter arising therefrom. Each party irrevocably waives any right it may have to object to an action being brought in any of those courts and to claim that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

Paris-La Défense, April 14, 2023

The Statutory Auditor
French original signed by
ERNST & YOUNG Audit

Laurent Vitse

Financial Statements of

TOTALENERGIES CAPITAL CANADA LTD.

Years ended December 31, 2022 and 2021

TOTALENERGIES CAPITAL CANADA LTD.

Statements of Financial Position
As at December 31
(Thousands of U.S. dollars)

	2022	2021
Assets		
Current assets		
Cash	1,079	1,156
Related party loans receivable (note 4)	7,491	149,996
Interest receivable on related party loans receivable	31,568	29,795
Fair value of derivatives (notes 8 and 9)	2,127	-
	42,265	180,947
Non-current assets		
Related party loans receivable (note 4)	9,479,328	10,177,915
Fair value of derivatives (notes 8 and 9)	158,128	14,114
Deferred tax asset (note 12)	3	47
	9,679,724	10,373,023
Liabilities and Shareholder’s Equity		
Current liabilities		
Accounts payable and accrued liabilities	898	1,094
Related party loans payable (note 4)	33,695	29,795
Fair value of derivatives (notes 8 and 9)	7,491	149,996
Debt (note 5)	7,335,165	7,217,387
	7,377,249	7,398,272
Non-current liabilities		
Fair value of derivatives (notes 8 and 9)	543,128	260,682
Related party loans payable (note 4)	158,128	14,114
Debt (note 5)	1,599,900	2,698,621
Shareholder’s equity		
Share capital (note 6)	50	50
Retained earnings	1,269	1,284
	1,319	1,334
	9,679,724	10,373,023

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

TOTALENERGIES CAPITAL CANADA LTD.

Statements of Income (Loss) and Comprehensive Income (Loss)
Years ended December 31
(Thousands of U.S. dollars)

	2022	2021
Finance income (note 7)	282,460	630,755
Finance expense (note 7)	(282,431)	(630,729)
Net finance income before income tax recovery	29	26
Income tax expense (recovery)		
Deferred	44	44
Net loss and comprehensive loss	(15)	(18)

See accompanying notes to financial statements.

TOTALENERGIES CAPITAL CANADA LTD.

Statements of Changes in Shareholder’s Equity
Years ended December 31
(Thousands of U.S. dollars)

2022	Opening balance	Net loss	Closing balance
Share capital	50	–	50
Retained earnings	1,284	(15)	1,269
Total shareholder's equity	1,334	(15)	1,319

2021	Opening balance	Net loss	Closing balance
Share capital	50	–	50
Retained earnings	1,302	(18)	1,284
Total shareholder's equity	1,352	(18)	1,334

See accompanying notes to financial statements.

TOTALENERGIES CAPITAL CANADA LTD.

Statements of Cash Flows
Years ended December 31
(Thousands of U.S. dollars)

	2022	2021
Cash provided by (used in)		
Operating		
Net loss	(15)	(18)
Items not involving cash:		
Deferred income tax expense	44	44
Change in fair value of derivatives (note 7)	(6,200)	282,873
	(6,171)	282,899
Net change in non-cash working capital (note 11)	6,004	(283,244)
Cash used in operating activities	(167)	(345)
Financing		
Repayment of medium term notes	(1,294,450)	-
Net proceeds (repayment) of commercial paper	250,471	(1,171,566)
Cash used in financing activities	(1,043,979)	(1,171,566)
Investing		
Advance of related party loans receivable	1,044,069	1,171,976
Change in cash	(77)	65
Cash, beginning of year	1,156	1,091
Cash, end of the year	1,079	1,156

See accompanying notes to financial statements.

1. Nature of operations and economic dependence

TotalEnergies Capital Canada Ltd. ("TECCL" or the "Company") was incorporated on April 9, 2007 under the Business Corporations Act (Alberta). TECCL is a wholly-owned subsidiary of TotalEnergies S.E. TECCL issues debt securities and commercial paper. TECCL lends substantially all proceeds of its borrowings to TotalEnergies EP Canada Ltd. ("TEEPC"), which is also ultimately owned by TotalEnergies S.E., and has Canadian oil and gas operations.

The related party loans receivable from TEEPC corresponding to the debt are not expected to be repaid within the next 12 months and as a result they are classified as a non-current asset. The debt is both current and non-current in nature and as a result, TECCL has a working capital deficit of $7.3 billion at December 31, 2022. The current portion of the debt is expected to be refinanced upon maturity. The ultimate recoverability of the related party loans receivable from TEEPC is dependent upon TEEPC successfully developing its oil sands reserves and realizing positive cash flows from its operations as well as receiving the continued support of TotalEnergies S.E. TotalEnergies S.E. has fully and unconditionally guaranteed the debt securities issued by TECCL as to payment of principal, premium, if any, interest and any other amounts due.

The Company's registered office is located at 1200, 255 – 5th Avenue S.W., Calgary, Alberta, Canada, T2P 3G6.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Board of Directors on April 14, 2023.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value with changes in fair value recorded in profit or loss.

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

(c) Functional and presentation currency

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

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 in the financial statements relate to the fair value of the derivative contracts described in notes 8 and 9.

(e) Interest rates

As part of the interest rate benchmark transition reform, TotalEnergies set up a working group to cover all aspects related to the IBOR reform and its impacts, including those for TECCL.

As of December 31, 2022, the transition to IBOR indices had no notable impact on the financial instruments managed by TECCL, the main USD LIBOR maturities, including the 3-month USD LIBOR, continuing to be published until June 2023. All derivatives held by TECCL will be impacted by the interest rate benchmark transition reform.

3. Significant accounting policies

(a) Foreign currency translation

Transactions in foreign currencies are translated to U.S. dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the period end exchange rate. Foreign currency differences arising on translation are recognized in profit or loss.

3. Significant accounting policies (continued)

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash, interest receivable, related party loans receivable and payable, 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 at amortized cost using the effective interest method, less any loss allowance.

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

(i) Non-derivative financial instruments (continued)

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted as its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

(ii) Derivative financial instruments

The Company holds derivative financial instruments to manage its foreign currency and interest rate exposures (see note 8). The Company does not apply hedge accounting but enters into derivative contracts to manage its economic exposure. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in profit or loss.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3. Significant accounting policies (continued)

(c) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extend that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

(d) Finance income and expenses

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

Finance expense comprises interest expense on borrowings, finance fees, loss on derivatives, transaction costs, other financial expense which is comprised of the offset of the gains on derivatives and foreign exchange, and foreign exchange losses. Interest expense 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

Non-current related party loans receivable are primarily comprised of U.S. dollar loans obtained by the Company and lent to TEEPC for use in its business. The loans are long-term in nature as the intention is not to repay the loans until TEEPC generates net positive cash flows. TECCL charges TEEPC interest at the market rate applicable to TECCL for the corresponding interest period, which is equivalent to the rate incurred on its outstanding debt as described in note 5. All finance expenses incurred by the Company related to these activities are recovered from TEEPC.

Current and non-current related party loans receivable (payable) are also the corresponding offset to the fair value of the derivatives contracts entered into by the Company that are in a(n) liability (asset) position as at the reporting date.

Current related party loans payable includes interest payable of $33,695 (2021 - $29,795) to TotalEnergies Capital, a wholly owned subsidiary of TotalEnergies S.E.

(Thousands of U.S. dollars)

5. Debt

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

(a) Summary of debt outstanding

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

	December 31, 2022	December 31, 2021
Commercial paper	6,335,258	6,084,787
Medium term notes	2,599,807	3,831,221
Total	8,935,065	9,916,008

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

	December 31, 2022	December 31, 2021
Commercial paper	6,335,258	6,084,787
Medium term notes	999,907	1,132,600
Total	7,335,165	7,217,387

(b) Commercial paper

The Company is an issuer under TotalEnergies S.E.'s $17 billion U.S. 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. TotalEnergies S.E. has fully and unconditionally guaranteed the commercial paper issued as to payment of principal, premium, if any, interest and any other amounts due.

(Thousands of U.S. dollars)

5. Debt (continued)

(b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2022 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due January 3, 2023 at 4.30%	USD	45,000	44,989
Due January 3, 2023 at 4.30%	USD	13,000	12,997
Due January 3, 2023 at 4.30%	USD	238,700	238,643
Due January 3, 2023 at 4.31%	USD	321,130	321,052
Due January 3, 2023 at 4.32%	USD	390,200	390,105
Due January 4, 2023 at 4.32%	USD	140,000	139,950
Due January 4, 2023 at 4.35%	USD	267,200	267,103
Due January 4, 2023 at 4.35%	USD	93,500	93,466
Due January 4, 2022 at 4.35%	USD	294,700	294,593
Due January 4, 2022 at 4.34%	USD	300,000	299,892
Due January 5, 2022 at 4.35%	USD	296,000	295,857
Due January 6, 2022 at 4.34%	USD	108,000	107,935
Due January 9, 2022 at 4.33%	USD	100,000	99,904
Due January 9, 2022 at 4.35%	USD	198,000	197,809
Due January 9, 2022 at 4.35%	USD	100,000	99,903
Due January 9, 2022 at 4.35%	USD	45,000	44,957
Due January 9, 2022 at 4.35%	USD	175,000	174,831
Due January 10, 2023 at 4.35%	USD	26,000	25,972
Due January 10, 2023 at 4.35%	USD	300,000	299,674
Due January 11, 2023 at 4.33%	USD	30,000	29,964
Due January 11, 2023 at 4.35%	USD	187,800	187,573
Due January 12, 2023 at 4.33%	USD	23,000	22,970
Due January 12, 2023 at 4.36%	USD	100,000	99,867
Due January 13, 2023 at 4.36%	USD	264,900	264,515
Due January 13, 2023 at 4.36%	USD	26,970	26,931
Due January 13, 2023 at 4.36%	USD	97,500	97,358
Due January 13, 2023 at 4.36%	USD	101,400	101,253
Due January 13, 2023 at 4.35%	USD	30,000	29,957
Due January 17, 2023 at 4.36%	USD	108,000	107,791
Due January 17, 2023 at 4.36%	USD	481,000	480,067
Due January 17, 2023 at 4.36%	USD	113,450	113,230
Due January 18, 2023 at 4.36%	USD	93,800	93,607
Due January 18, 2023 at 4.36%	USD	362,250	361,503
Due January 18, 2023 at 4.36%	USD	50,000	49,897
Due January 18, 2023 at 4.36%	USD	141,000	140,710
Due January 20, 2023 at 4.37%	USD	275,000	274,366
Due January 20, 2023 at 4.37%	USD	243,000	242,440
Due January 20, 2023 at 4.36%	USD	162,000	161,627
			6,335,258

(Thousands of U.S. dollars)

5. Debt (continued)

(b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2021 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due January 3, 2022 at 0.09%	USD	8,440	8,440
Due January 7, 2022 at 0.14%	USD	208,900	208,895
Due January 11, 2022 at 0.14%	USD	33,584	33,583
Due January 11, 2022 at 0.14%	USD	21,200	21,199
Due January 19, 2022 at 0.14%	USD	182,379	182,366
Due January 21, 2022 at 0.14%	USD	133,885	133,875
Due January 24, 2022 at 0.14%	USD	189,565	189,548
Due January 25, 2022 at 0.11%	USD	136,920	136,910
Due January 26, 2022 at 0.14%	USD	207,330	207,310
Due January 31, 2022 at 0.12%	USD	250,000	249,975
Due January 31, 2022 at 0.11%	USD	175,400	175,384
Due February 1, 2022 at 0.14%	USD	311,100	311,062
Due February 3, 2022 at 0.15%	USD	500,110	500,041
Due February 8, 2022 at 0.15%	USD	440,890	440,820
Due February 14, 2022 at 0.16%	USD	200,000	199,961
Due February 15, 2022 at 0.14%	USD	200,000	199,965
Due February 16, 2022 at 0.15%	USD	290,290	290,234
Due February 22, 2022 at 0.16%	USD	392,114	392,023
Due February 24, 2022 at 0.16%	USD	200,000	199,952
Due February 25, 2022 at 0.14%	USD	36,600	36,592
Due February 28, 2022 at 0.15%	USD	494,550	494,430
Due February 28, 2022 at 0.16%	USD	82,750	82,729
Due February 28, 2022 at 0.16%	USD	110,000	109,972
Due February 28, 2022 at 0.18%	USD	250,000	249,928
Due February 28, 2022 at 0.17%	USD	40,500	40,489
Due February 28, 2022 at 0.17%	USD	21,800	21,794
Due February 28, 2022 at 0.17%	USD	19,600	19,595
Due February 28, 2022 at 0.16%	USD	201,400	201,348
Due March 1, 2022 at 0.14%	USD	213,570	213,521
Due March 3, 2022 at 0.17%	USD	200,000	199,942
Due March 7, 2022 at 0.16%	USD	333,000	332,904
			6,084,787

(Thousands of U.S. dollars)

5. Debt (continued)

(c) Medium term notes

TECCL issues notes under TotalEnergies S.E.'s €40 billion Euro Medium Term Note Program, that expired in 2021. This program will be renewed for the same amount with TECCL as one of the potential issuers. They also issue notes under the U.S. Medium Term Note Program, of which $13.85 billion is utilized as of December 31, 2022, and on the $2 billion Australian Medium Term Note Program. Interest is charged at a fixed or floating rate determined at the time of issuance. The repayment terms of the notes are determined at the time of issuance. TotalEnergies S.E. has fully and unconditionally guaranteed the medium term notes issued as to payment of principal, premium, if any, interest and any other amounts due.

The book value of the medium term notes at December 31, 2022 is as follows:

Expiry	Notional value	Currency	Book value (USD)
July 15, 2023	1,000,000	USD	999,907
September 18, 2029	1,500,000	EUR	1,599,900
			2,599,807

The book value of the medium term notes at December 31, 2021 is as follows:

Expiry	Notional value	Currency	Book value (USD)
March 18, 2022	1,000,000	EUR	1,132,600
July 15, 2023	1,000,000	USD	999,721
September 18, 2029	1,500,000	EUR	1,698,900
			3,831,221

There were no medium term note issuances and one repayment of 1,000,000 EUR for the amount of $1,294,450 USD, which includes the effect of cross currency swap hedging of this medium term note, for the year ended December 31, 2022. The remaining change in book value of the medium term notes from December 31, 2021 to December 31, 2022 is due to the foreign exchange translation of $62,850 (note 7) (December 31, 2021 – foreign exchange translation of $236,250) and amortization of debt issue costs of $186 (December 31, 2021 - $186).

(Thousands of U.S. dollars)

6. Share capital

The Company is authorized to issue an unlimited number of common shares, and as of December 31, 2022 and December 31, 2021, has 50,000 issued and outstanding common shares at $1.00 each. All the shares are held by TotalEnergies S.E.

7. Finance income and finance expense

(a) Finance income

	Year ended December 31, 2022	Year ended December 31, 2021
Income on related party loans	212,631	111,535
Management fee from related party	779	97
Gain on derivatives	6,200	-
Foreign exchange gain on translation of foreign currency denominated debt	-	236,250
Other financial income	62,850	282,873
	282,460	630,755

(b) Finance expense

	Year ended December 31, 2022	Year ended December 31, 2021
Interest on borrowings	212,631	111,535
Finance fees	750	71
Other financial expense	6,200	236,250
Loss on derivatives	-	282,873
Foreign exchange loss on translation of foreign currency denominated debt	62,850	-
	282,431	630,729

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.

(Thousands of U.S. dollars)

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

(a) Risk management framework

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's related party loans and the forward foreign exchange and interest rate swap contracts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at December 31, 2022 was $9,679,721 (December 31, 2021 - $10,372,976).

Carrying amount	December 31, 2022	December 31, 2021
Cash	1,079	1,156
Interest receivable on related party loans	31,568	29,795
Fair value of derivatives	160,255	14,114
Related party loans receivable	9,486,819	10,327,911
Total	9,679,721	10,372,976

All of the Company's income and the majority of its receivables are from TEEPC. The Company's exposure to credit risk is influenced mainly by the characteristics of TEEPC 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. The ultimate recoverability of the related party loans receivable from TEEPC is dependent upon TEEPC successfully developing its oil sands reserves and realizing positive cash flows from its operations as well as receiving the continued support of TotalEnergies S.E.

The operating model of TECCL consists in perfectly matching the assets and liabilities, therefore the FX and IR sensitivity analysis is not significant.

(Thousands of U.S. dollars)

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 TotalEnergies S.E.

The global outbreak of COVID-19 has resulted in increased uncertainty and continues to have a significant impact on the global economy. This economic uncertainty may lead to adverse changes in cash flows, working capital and debt balance, which may also have a direct impact on the Company's operating results and financial position. In February 2022, Russia invaded Ukraine, resulting in Countries implementing sanctions against Russia. This has put additional pressure on commodity prices and is contributing to the already high inflation.

These and other factors may adversely affect the Company's liquidity and the Company's ability to generate cash flows in the future.

The following are the remaining contractual maturities of financial liabilities at December 31, 2022. The amounts are gross and undiscounted and include estimated interest payments.

	Carrying amount	Contractual cash flows	Less than one year	Greater than one year
Derivative and Non-derivative financial liabilities:				
Debt (notional value excluding interest)	8,935,065	9,284,150	6,342,500	2,941,650
Interest differential on swaps	–	216,331	35,387	180,944
Related party loans payable	191,823	191,823	33,695	158,128
Accounts payable and accrued liabilities	898	898	898	–
	9,127,786	9,693,202	6,412,480	3,280,722

Also included in debt in the table above are the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes which are not usually closed out prior to contractual maturity.

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

(c) Liquidity risk (continued)

The interest payments on variable rate commercial papers and medium term notes in the above table reflect current market interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates change. Except for those financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors of the Company. The Company does not apply hedge accounting but enters into derivative contracts to manage its economic exposure.

(i) Currency risk

Currency risk is the risk that the future cash flows will fluctuate as a result of changes in exchange rates. The Company manages its exposure to foreign exchange fluctuations on its non-U.S. dollar denominated medium term notes by entering into cross-currency interest rate swaps with TotalEnergies Capital (see interest rate risk section below for the notional value details). Gains or losses on the cross-currency and interest rate swaps are reimbursed by TEEPC, so that the Company’s exposure to foreign currency exchange risk is insignificant.

(ii) Interest rate risk

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

(Thousands of U.S. dollars)

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

(d) Market risk (continued)

(ii) Interest rate risk (continued)

At December 31, 2022, the Company had the following cross currency and interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (USD)	Swap rate	Fair value (USD)
July 15, 2023	250,000	USD	250,000	LIBOR+81.250bp	(7,491)
July 15, 2023	250,000	USD	250,000	3.4070%	2,127
September 18, 2029	500,000	EUR	647,200	3.3645%	(130,690)
September 18, 2029	500,000	EUR	647,400	3.1925%	(124,117)
September 18, 2029	500,000	EUR	647,050	3.3555%	(130,193)
					(390,364)

At December 31, 2021, the Company had the following cross currency and interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (USD)	Swap rate	Fair value (USD)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(75,221)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(74,775)
July 15, 2023	250,000	USD	250,000	LIBOR+81.250bp	14,114
July 15, 2023	250,000	USD	250,000	3.4070%	(10,325)
September 18, 2029	500,000	EUR	647,200	3.3645%	(86,399)
September 18, 2029	500,000	EUR	647,400	3.1925%	(78,171)
September 18, 2029	500,000	EUR	647,050	3.3555%	(85,787)
					(396,564)

(Thousands of U.S. dollars)

9. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Cash, interest receivable, accounts payable and accrued liabilities and debt

The fair value of cash, interest receivable, accounts payable and accrued liabilities and commercial paper is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2022, the fair value of these balances approximated their carrying value due to their short term to maturity.

The fair value of the medium term notes has been determined on an individual basis by discounting future cash flows with the zero coupon interest rate curves existing at December 31, 2022 (level 2 fair value).

The fair value of the medium term notes at December 31, 2022 is as follows:

Expiry	Notional value	Currency	Fair value (USD)
July 15, 2023	1,000,000	USD	1,000,000
September 18, 2029	1,500,000	EUR	1,599,899
			2,599,899

(b) Cross currency and interest rate swap contracts

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

(Thousands of U.S. dollars)

9. Determination of fair values (continued)

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

The following table summarizes the fair value of the derivatives:

	December 31, 2022	December 31, 2021
Current asset	2,127	-
Non-current asset	158,128	14,114
Current liability	(7,491)	(149,996)
Non-current liability	(543,128)	(260,682)
	(390,364)	(396,564)

Fair Value Measurements

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

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 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 TEEPC by way of related party loans receivable. The Company considers its capital structure to include working capital, debt and shareholder's equity. The Company's shareholder's equity is not subject to external restrictions and the Company has not paid or declared any dividends since incorporation. There are no financial covenants in the Company's debt agreements.

(Thousands of U.S. dollars)

11. Supplemental cash flow information

	Year ended December 31, 2022	Year ended December 31, 2021
Interest receivable on related party loans	(1,773)	135
Accounts payable and accrued liabilities	(196)	(371)
Interest payable on related party loans	3,900	(135)
Change in related party loans related to fair value of derivatives:		
Current asset	142,505	(149,996)
Non-current asset	(282,446)	81,125
Non-current liability	144,014	(214,002)
Net change in non-cash working capital	6,004	(283,244)

12. Other commitments and contingencies

The Company, in the normal course of operations, may be subject to various audits by various taxation authorities, including the Canada Revenue Agency (“CRA”). The Company believes that it has appropriately recognized tax assets and liabilities based on the Company’s interpretation of relevant tax legislation. Should the CRA initiate a challenge in respect of certain tax filing positions taken by the Company, the Company will update its disclosure and financial statements accordingly.