This short form prospectus has been filed under procedures in Alberta which permit certain information with respect to these securities to be determined after the prospectus has become final and permit the omission from this short form prospectus of such information. Such procedures require the delivery to purchasers of a prospectus or a prospectus supplement containing this omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary, Gulf Canada Resources Limited, Gulf Canada Square, 401-9th Avenue S.W., Calgary, Alberta, T2P 2H7. Telephone (403) 233-4000.

Gulf Canada Resources Limited

Debt Securities

By this prospectus, we may offer up to an aggregate amount of U.S.$750,000,000 of debt securities.

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the supplements carefully before you invest.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus in accordance with Canadian disclosure requirements. You should be aware that such requirements are different from those of the United States. Gulf Canada has prepared the financial statements included or incorporated herein in accordance with Canadian generally accepted accounting practices, and they are subject to Canadian auditing and auditor independence standards. Thus, they may not be comparable to the financial statements of United States companies.

You should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and Canada. This prospectus may not describe these tax consequences fully for investors who are resident in, or citizens of, the United States.

Your ability to enforce civil liabilities under United States federal securities laws may be affected adversely by the fact that Gulf Canada is incorporated or organized under the laws of Canada, most of its officers and directors are residents of Canada, most of the experts named in this prospectus are residents of Canada, and all or a substantial portion of the assets of Gulf Canada and its officers, directors and experts are located outside the United States.

The debt securities offered hereby have not been qualified for sale under the securities laws of any province or territory of Canada and are not being and may not be offered or sold in Canada in contravention of the securities laws of any province or territory of Canada.

December 4, 2000

TABLE OF CONTENTS

	Page
Prospectus	
About This Prospectus	2
Where You Can Find More Information	3
Forward Looking Statements	5
Definitions and Other Matters	6
Gulf Canada Resources Limited	7
Recent Developments	10
Selected Operating and Financial Information	10
Use of Proceeds	14
Interest and Asset Coverage	14
Credit Rating	15
Description of Debt Securities	16
Risk Factors	33
Plan of Distribution	35
Certain Income Tax Considerations	36
Validity of the Debt Securities	36
Experts	36
Documents Filed as Part of the U.S. Registration Statement	37
Purchasers' Statutory Rights	37
Certificate of Gulf Canada Resources Limited	38
Appendix "A" Gulf Canada Resources Limited Pro Forma Consolidated Financial Statements	A-1
Appendix "B" Crestar Energy Inc. Consolidated Financial Statements	B-1

ABOUT THIS PROSPECTUS

In this prospectus, unless the context otherwise indicates, references to "Gulf Canada", "us", "we" or "our" mean Gulf Canada Resources Limited, its subsidiaries including Crestar Energy Inc. and its interests in consolidated partnerships, joint ventures and other entities. References to "Crestar" mean Crestar Energy Inc., its subsidiaries and its interests in consolidated partnerships, joint ventures and other entities prior to its acquisition by Gulf Canada. Except for all consolidated financial information and operation data not specifically provided on a pro forma basis giving effect to the acquisition of Crestar or unless stated otherwise, all information and data contained in this prospectus reflect the combined operations of Gulf Canada and Crestar. All references to "dollars" or "$" are to Canadian dollars. All references to "U.S.$" are to United States dollars.

This prospectus is part of a registration statement on Form F-9 relating to the debt securities that we registered with the SEC under this registration process. Under this process, we may, from time to time, sell any combination of the debt securities described in this prospectus in one or more offerings up to an aggregate principal amount of U.S.$750,000,000. This prospectus provides you with a general description of the debt securities that we may offer. Each time we sell debt securities under this shelf registration process, we will provide a prospectus supplement that will contain specific information about the terms of that offering of debt securities. The prospectus supplement may also add, update or change information contained in this prospectus. Before you invest, you should read both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information".

Gulf Canada and Crestar prepare their respective consolidated financial statements in accordance with Canadian GAAP, which may differ from U.S. GAAP. Therefore, the consolidated financial statements of Gulf Canada and Crestar included in this prospectus, in any prospectus supplement and in the documents incorporated by reference in this prospectus may not be comparable to financial statements of United States companies.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and material change reports and other information with the SEC and with the Alberta Securities Commission (the "ASC"), a commission of authority in the Province of Alberta similar to the SEC. Under the multijurisdictional disclosure system adopted by the United States and Canada, we may prepare these reports and other information in accordance with disclosure requirements in Canada, and these requirements may differ from those in the United States. You may read any document we file with the SEC at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. You may also obtain copies of the same documents from the public reference room of the SEC in Washington by paying a fee. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

The SEC and the ASC allow us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. Information that is incorporated by reference is an important part of this prospectus. We incorporate by reference the documents listed below, which were filed with the ASC under the *Securities Act* (Alberta) and with the SEC under the Securities Exchange Act of 1934, as amended:

- our Annual Information Form dated March 28, 2000 and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 1999 incorporated by reference therein;
- our Management Proxy Circular dated March 13, 2000 relating to the Annual and Special Meeting of Shareholders of Gulf Canada held on May 9, 2000, excluding those portions thereof which appear under the headings "Executive Compensation—Composition of the Compensation and Pension Committee", "Executive Compensation—Report on Executive Compensation", "Executive Compensation—Five Year Total Shareholder Return Comparison" and "Schedule A Corporate Governance";
- our audited consolidated statements of financial position as at December 31, 1999 and 1998 and the consolidated statements of earnings (loss) and retained earnings (deficit) and cash flows for each of the years in the three-year period ended December 31, 1999, together with the notes thereto and the report of the auditors thereon, as contained in our Annual Report for the year ended December 31, 1999;
- our unaudited interim consolidated financial statements as at and for the three months ended March 31, 2000, as contained in our first quarter report to shareholders, the unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2000, as contained in our second quarter report to shareholders, and the unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2000, as contained in our third quarter report to shareholders; and
- our material change report dated October 6, 2000 relating to our acquisition of Crestar. See "Recent Developments—Acquisition of Crestar Energy Inc.".

Any documents of the type referred to in the preceding paragraph and any material change reports (excluding confidential material change reports) we file with a securities commission or any similar authority in Canada after the date of this prospectus and prior to the termination of the offering of debt securities shall be deemed to be incorporated by reference herein and form an integral part of this prospectus.

We also incorporate by reference all future annual reports and any other information we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the debt securities.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Upon a new Annual Information Form and related annual financial statements being filed with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this prospectus, the previous Annual Information Form, annual financial statements and all interim financial statements, material change reports and management proxy circulars filed prior to the commencement of the then current fiscal year will be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of debt securities under this prospectus.

The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. Canadian securities laws permit oil and gas companies, in their filings with Canadian securities regulators, to disclose probable reserves. Probable reserves are of a higher risk and are generally believed to be less likely to be recovered than proved reserves. Certain terms are used in the documents incorporated by reference to describe Gulf Canada's reserves, such as "probable" and "proved plus probable", that the SEC's guidelines strictly prohibit from including in filings with the SEC. You are urged to consider closely the disclosure in Gulf Canada's annual report on Form 40-F filed with the SEC. For additional differences between Canadian and U.S. standards of reporting reserves, see "Definitions and Other Matters" and "Risk Factors—Differences in United States and Canadian Practices for Reporting Reserves and Production" in this prospectus.

You may request a free copy of the Annual Information Form and other information mentioned above by writing or calling Gulf Canada at the following address and telephone number:

Gulf Canada Resources Limited
Gulf Canada Square
401 - 9th Avenue S.W.
Calgary, Alberta
Canada
T2P 2H7
(403) 233-4000

Attention: Secretary

You should rely on the information incorporated by reference or contained in this prospectus or any prospectus supplement and on the other information included in the registration statement of which this prospectus forms a part. We have not authorized anyone to provide you with different or additional information.

Gulf Canada is not making an offer of these debt securities in any state where the offer is not permitted by law. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

FORWARD LOOKING STATEMENTS

This prospectus contains or incorporates by reference forward looking statements. All statements other than statements of historical fact included or incorporated by reference in this prospectus that address activities, events or developments that we expect or anticipate may or will occur in the future are forward looking statements, and indicate such things as:

- oil and gas reserve quantities and the discounted present value of these reserves;
- the amount and nature of our capital expenditures;
- plans for drilling wells;
- timing and amount of future production and operating costs;
- business strategies and plans of management; and
- prospect development and acquisitions.

Such forward looking statements are subject to risks, uncertainties and other factors, many of which are beyond our control, including:

- the impact of general economic conditions;
- industry conditions, including fluctuations in the price of oil and natural gas, royalties payable in respect of our oil and gas production and governmental regulation of the oil and gas industry, including environmental regulation;
- uncertainty of estimates of oil and natural gas reserves, impact of competition, availability and cost of seismic, drilling and other equipment;
- operating hazards and other difficulties inherent in the exploration for and production and sale of oil and natural gas;
- fluctuations in foreign exchange or interest rates;
- the timing and success of integrating the business and operations of Crestar; and
- political instability and other risks of international operations.

These and additional factors are described in more detail in our management's discussion and analysis contained in our Annual Report for the year ended December 31, 1999 and in our Annual Information Form dated March 28, 2000 filed with the securities commissions or similar authorities in the provinces of Canada as well as our report on Form 40-F filed with the SEC. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, we will derive therefrom. You should also carefully consider the matters discussed under "Risk Factors" in this prospectus.

DEFINITIONS AND OTHER MATTERS

Bbl, MBbl and MMBbl mean barrels, thousand barrels and million barrels, respectively; Mcf, MMcf and Bcf mean thousand, million and billion cubic feet, respectively; and Bbls/d, MBbls/d, Mcf/d, MMcf/d and MBoe/d mean barrels per day, thousand barrels per day, thousand cubic feet per day, million cubic feet per day and thousand barrels of oil equivalent per day respectively. MMBoe, MBoe and Boe mean million, thousand and one barrel of oil equivalent, based on a conversion ratio of 6 Mcf of natural gas production to one Boe.

"Proved reserves" are calculated in accordance with Canadian practices and use escalated prices and costs. This method is different from the required method of estimating reserves in financial statements filed with the SEC. The SEC requires that prices and costs be held constant at prices in effect on the date of the reserve report.

Unless otherwise indicated, "proved reserves" are defined in accordance with securities legislation and policies of Canada as those reserves estimated as recoverable under current technology and existing economic conditions, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir. Unless otherwise provided herein, we follow the Canadian practice of reporting our reserves and production using gross volumes which are volumes prior to deduction of royalty and similar payments. The practice in the United States is to report reserves and production using net volumes, after deduction of applicable royalties and similar payments.

GULF CANADA RESOURCES LIMITED

Overview

We are a Canadian-based independent energy company engaged in the exploration for and the development and production of oil, natural gas and natural gas liquids (NGLs). Our primary operations are based in western Canada. In addition, we have international operations in Indonesia and the Netherlands, as well as an exploration discovery in Algeria. With our recent acquisition of Crestar, we have materially increased our Canadian reserves and production and added operations in Ecuador.

We are incorporated under the *Canada Business Corporations Act*. Our head office is located at Gulf Canada Square, 401 - 9th Avenue S.W., Calgary, Alberta Canada. Our main telephone number is (403) 233-4000.

Our ordinary shares are listed for trading on The Toronto Stock Exchange and The New York Stock Exchange under the trading symbol "GOU".

Strategy

Our strategy is to grow reserves and production within our core areas of operations through a combination of exploration, exploitation and acquisitions. Within each of our core areas, we seek operated positions that allow us to more effectively control our operations and increase our returns. In addition, we are committed to a disciplined approach to funding our growth in order to maintain financial flexibility and our investment grade ratings. Over the past two years, we have taken several key initiatives, including the acquisition of Crestar, to achieve our objectives.

Recent Corporate Initiatives

Recent corporate initiatives include:

- reducing our net debt, which we define as debt less cash and marketable securities, by over $1 billion from $2.8 billion at March 31, 1998 to $1.7 billion at September 30, 2000;
- closing our Denver, Colorado office and consolidating our three North American corporate offices into one central office in Calgary, Alberta;
- focusing our international operations by exiting Albania, Romania, Argentina, Syria, Yemen, and Mongolia, and selling our operations in the United Kingdom and Australia;
- forming a partnership with PanCanadian Petroleum Limited, a large Canadian independent exploration and production company, to reduce operating costs and improve capital efficiencies of our conventional heavy oil operations; and
- selling substantially all of our midstream assets to reduce indebtedness and focus on our exploration and development activities.

Acquisition of Crestar

In November 2000, we purchased all of the outstanding shares of Crestar for approximately $2.1 billion of which $1.27 billion was issued in our ordinary shares, $179 million was paid in cash and $675 million was assumed in debt. Crestar is an Alberta-based exploration and production company with primary operations in western Canada and international operations in Ecuador. Crestar had 284 MMBoe of estimated proved reserves at year-end 1999, and produced an average of 102 MBoe/d for the nine-month period ending September 30, 2000. As at September 30, 2000, natural gas represented 60% and 54% of proved reserves and daily production, respectively.

We believe that the key benefits of the acquisition include:

- improved financial flexibility;
- increased near-term cash flow to fund long-term growth prospects;
- additional near-term production to balance our long-term assets;
- doubling of our natural gas production from western Canada;
- reduced exposure to risks associated with international operations; and
- accelerated use of our existing tax pools.

Principal Areas of Operations

Pro forma for our acquisition of Crestar, we are one of the five largest independent Canadian exploration and production companies as ranked by proved reserves. Our pro forma proved reserves were 1,097 MMBoe as of year-end 1999, while our pro forma daily production averaged 275 MBoe/d during the first nine months of 2000. As at September 30, 2000, natural gas represented 50% of both our proved reserves and daily production.

The table below outlines our pro forma proved reserves and daily production for each of our core areas of operations:

	As at December 31, 1999 Combined Proved Reserves		For the Nine Months ended September 30, 2000 Combined Production	
	MMBoe	% of total	MBoe/d	% of total
North America conventional	568	52%	183	66%
North America heavy oil	50	5%	16	6%
Syncrude	212	19%	18	7%
Indonesia	244	22%	47	17%
Netherlands	23	2%	9	3%
Ecuador(1)	—	—	2	1%
Total	1,097	100%	275	100%

Note:

(1) Proved reserves do not include approximately 43 MMBbls of crude oil attributable to the acquisition of properties in Ecuador effective June 30, 2000.

Canada

Canada is our largest area of operations in terms of both proved reserves and production. Our Canadian operations are composed of three major segments: conventional, Syncrude and Petrovera Resources.

Our western Canada operations encompass properties in Alberta, northeastern British Columbia and southeastern Saskatchewan. The reserve base in central and northwestern Alberta and northeastern British Columbia is dominated by liquids-rich natural gas and light oil fields, as well as large enhanced recovery oil projects. The reserve base in southern Alberta and southeastern Saskatchewan is a mix of medium gravity oil and natural gas.

We own a 9.03% interest in the Syncrude oil sands project. The Syncrude project, located in northeastern Alberta, is the world's largest oil sands mining operation. The oil sands are surface mined and bitumen is extracted from the sand. The bitumen is then upgraded through a refining process which produces a light, sweet crude oil known as Syncrude Sweet Blend.

In May 1999, we combined our conventional heavy oil assets with those of PanCanadian to create Petrovera Resources, a joint venture in which we own a 46.7% interest. Our objectives in creating the joint venture were to reduce costs and realize capital efficiencies of our conventional heavy oil operations. The assets contributed to the joint venture are primarily located in eastern Alberta and western Saskatchewan. Our share of daily production from Petrovera Resources averaged 16,000 Bbls of heavy oil and 12 MMcf of gas during the third quarter of 2000.

In addition to our current operating areas described above, we are also currently focusing on three longer-term projects in Canada: Surmont oil sands, Northern Canada and East Coast Canada. We are currently determining the economic viability of developing the oil sands at Surmont including conducting a pilot project to determine the economic potential of technology to develop the oil sands which are too deep to mine. We are also part of a producer group that is currently studying the feasibility of a joint Mackenzie Delta natural gas development project in Northern Canada. In 1999, we signed a joint venture agreement with Mobil Canada to explore 8.6 million acres in the Canadian and French territorial waters off the east coast of Canada between Hibernia and Sable Island.

Indonesia

Indonesia represents our second largest area of operations in terms of both reserves and production. We operate in Indonesia through subsidiaries of Gulf Indonesia Resources Limited, a 72% owned subsidary. Gulf Indonesia operated primarily as a crude oil producer for almost four decades. However, with the start-up of the Grissik Gas Plant in October 1998, Gulf Indonesia achieved initial commercial natural gas production from the Corridor Block gas project, which doubled Gulf Indonesia's daily sales. The gas that Gulf Indonesia produces from its 54% interest in the Corridor Block is exchanged under an agreement involving PT Caltex Pacific Indonesia whereby Gulf Indonesia receives oil as payment in kind, on an energy equivalent basis. Gas production from the West Natuna gas project is anticipated to commence later this quarter. Gulf Indonesia, as part of a consortium, signed a 20-year agreement for the sale of gas from this project to SembCorp Gas Pte. Ltd., based in Singapore. Gulf Indonesia holds an interest in 11 million gross undeveloped acres in 13 contract areas concentrated in Sumatra, the Natuna Sea and offshore East Java.

Netherlands

The Netherlands represents our third largest area of operations in terms of both reserves and production. Since acquiring interests in the Netherlands gas basin in 1997, we have been increasing our working interest in operated blocks and we currently operate 59% of our production. We have six offshore gas discoveries in various stages of development, the first of which is scheduled to commence production later this quarter.

Other International

Our other international operations include an exploration discovery in Algeria and producing assets in Ecuador. In July 2000, Crestar purchased a 14% interest in the Block 16 area of the Oriente Basin in Ecuador. The block, which is operated by Repsol YPF, had an average daily production of 5,500 Bbls during the third quarter of 2000.

RECENT DEVELOPMENTS

Acquisition of Crestar Energy Inc.

In November 2000, we purchased all of the outstanding shares of Crestar for approximately $2.1 billion of which $1.27 billion was issued in our ordinary shares, $179 million was paid in cash and $675 million was assumed in debt.

The cash portion of the purchase price for the shares of Crestar was funded with available cash resources and borrowings under our committed bank credit facility.

In connection with the acquisition, three members of the Crestar board (Harry G. Schaefer, S. Barry Jackson and Arthur H. Willms) replaced three former members of the Gulf Canada board.

Pro Forma Consolidated Financial Information

Our unaudited pro forma consolidated financial statements as at September 30, 2000 and December 31, 1999, and for the nine months ended September 30, 2000 and for the year ended December 31, 1999, together with the notes thereto and the compilation report of the auditors thereon, which give effect to our acquisition of Crestar and certain other adjustments, are set forth in Appendix A to this prospectus.

Consolidated Financial Statements of Crestar

The audited consolidated balance sheets of Crestar as at December 31, 1999 and 1998 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the two years then ended, together with the notes thereto and the report of the auditors thereon, and the unaudited interim consolidated financial statements of Crestar for the nine months ended September 30, 2000 and 1999, are set forth in Appendix B to this prospectus.

Share Repurchase Program

On November 28, 2000, our board of directors approved a normal course issuer bid to repurchase up to 5% of our outstanding ordinary shares, subject to the rules and approval of The Toronto Stock Exchange. This arrangement permits us to repurchase for cancellation our ordinary shares from time to time over a twelve month period at management's discretion.

SELECTED OPERATING AND FINANCIAL INFORMATION

Our selected pro forma financial information has been derived from our audited annual consolidated financial statements, and from our unaudited interim consolidated financial statements for the periods indicated. The selected financial information of Crestar has been derived from the audited annual consolidated financial statements of Crestar, and from Crestar's unaudited interim consolidated financial statements for the periods indicated. Interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year.

Each of Gulf Canada's and Crestar's annual consolidated financial statements and the interim consolidated financial statements are presented in Canadian dollars and are prepared in accordance with Canadian GAAP. Canadian GAAP differs in certain respects from U.S. GAAP. For a discussion of the effect of the principal differences on Gulf Canada's financial statements between Canadian GAAP and U.S. GAAP, see Note 24 to Gulf Canada's annual consolidated financial statements for the year ended December 31, 1999 (which are incorporated by reference in this prospectus).

Selected Pro Forma Reserves and Production Information

The following tables set out selected combined operating information for Gulf Canada and Crestar as at and for the year ended December 31, 1999 and as at and for the nine months ended September 30, 2000, after giving effect to our acquisition of Crestar.

	As at December 31, 1999		
Proved Reserves(1)(2) (before royalties)	Gulf Canada	Crestar	Gulf Canada/ Crestar Combined
Crude oil and NGLs (MMBbls)			
North America			
Conventional	133	112	245
Heavy Oil	50	—	50
Syncrude(3)	212	—	212
Total North America	395	112	507
International(4)			
Indonesia	34	—	34
Netherlands	2	—	2
Total International	36	—	36
Total Liquids	431	112	543
Natural gas (Bcf)			
North America			
Conventional	909	1,030	1,939
International			
Indonesia	1,263	—	1,263
Netherlands	124	—	124
Total International	1,387	—	1,387
Total Natural Gas	2,296	1,030	3,326

Notes:

(1) We have used escalated prices and costs in calculating proved reserves. This method is different from the required method of estimating reserves in financial statements filed with the SEC. The SEC requires that prices and costs be held constant at prices in effect on the date of the reserve report. The reserve quantities using constant prices and costs are not materially different. We file reserve quantities using the definitions required by the SEC in our annual reports on Form 40-F. See "Where You Can Find More Information."

(2) In accordance with Canadian securities laws, proved reserves are reported prior to the deduction of royalty or similar payments owed to third parties and government entities. In the United States, reserve quantities are reported after deduction of the estimated royalty or similar payments.

(3) The Syncrude reserves are not considered proved reserves under applicable SEC regulations. The Syncrude project produces a light sweet crude oil through surface mining of oil sands and the extraction and upgrading of bitumen from the oil sands. The proved reserves of the Syncrude project are limited by the capacity of the Syncrude facilities to mine oil sands and produce synthetic oil, rather than the quantity of oil sands believed to be economically recoverable using current technology. Proved reserves attributable to the Syncrude project are based on Syncrude's total production for 1999, multiplied by the term remaining on the Syncrude plant license granted by the Canadian government. The procedures used to estimate reserves from Syncrude are not comparable to the procedures used to estimate conventional proved reserves.

(4) The Crestar proved reserves do not include approximately 43 MMBbls of crude oil attributable to its acquisition of properties in Ecuador effective June 30, 2000.

	For the Nine Months ended September 30, 2000			For the Year ended December 31, 1999		
	Gulf Canada	Crestar	Gulf Canada/ Crestar Combined	Gulf Canada	Crestar	Gulf Canada/ Crestar Combined
Production(1) (before royalties)						
Crude oil and NGLs (MBbls/d)						
North America						
Conventional	34	45	79	37	43	80
Heavy Oil	16	—	16	15	—	15
Syncrude(2)	18	—	18	20	—	20
Total North America	68	45	113	72	43	115
International						
Indonesia	19	—	19	21	—	21
Netherlands	3	—	3	4	—	4
Ecuador	—	2	2	—	—	—
Australia	—	—	—	4	—	4
Total International	22	2	24	29	—	29
Total Liquids	90	47	137	101	43	144
Natural gas (MMcf/d)						
North America						
Conventional	296	329	625	325	349	674
International						
Indonesia	166	—	166	161		161
Netherlands	38	—	38	53	—	53
Australia	—	—	—	17	—	17
Total International	204	—	204	231	—	231
Total Natural Gas	500	329	829	556	349	905

Notes:

(1) In accordance with Canadian securities laws, production is reported prior to the deduction of royalty or equivalent payments owed to third parties and government entities. In the United States, production is reported after the deduction of royalty and equivalent payments.

(2) Represents production attributable to the Syncrude project, which produces a light sweet crude oil through surface mining of oil sands and the extraction and upgrading of the bitumen from the oil sands. Therefore, the production from Syncrude may not be comparable to production from conventional wells.

Selected Pro Forma Consolidated Financial Information

The following table sets out certain financial information for Gulf Canada and Crestar as at and for the year ended December 31, 1999 and as at and for the nine months ended September 30, 2000, after giving effect to our acquisition of Crestar and certain other adjustments. The following information should be read in conjunction with the unaudited pro forma consolidated financial statements of Gulf Canada as set forth in Appendix "A" to this prospectus, including the notes thereto.

	As at and for the Nine Months ended September 30, 2000			As at and for the Year ended December 31, 1999		
	Gulf Canada(7)	Crestar(7)	Pro Forma Consolidated(1)	Gulf Canada(8)	Crestar(8)	Pro Forma Consolidated(1)
(millions of dollars, except ratios)						
Income statement data:						
Net oil and gas revenue	$1,134	$ 650	$1,784	$1,140	$ 529	$1,668
Earnings (loss)	90	177	171	(172)	54	(245)
Balance sheet data (end of period):						
Total assets	$5,513	$1,913	$9,306	$5,435	$1,572	$9,147
Long-term debt, including current portion	2,053	647	2,839	2,145	545	2,845
Minority interest	236	—	236	204	—	204
Shareholder's equity	1,664	558	2,933	1,566	523	2,925
Cash flow from operations(2)	$ 684	$ 473	$1,153	$ 517	$ 332	$ 843
Other financial data and ratios:						
EBITDAX(3)	866	527	1,393	769	379	1,146
Debt to EBITDAX(4)	1.8×	0.9×	1.5×	2.8×	1.4×	2.5×
EBITDAX to interest(5)	5.1	14.6	6.5	3.3	9.2	4.1
Debt to total capitalization(6)	52%	54%	47%	55%	51%	48%

Notes:

(1) See notes to the unaudited pro forma consolidated financial statements set forth in Appendix A for assumptions and adjustments. The pro forma consolidated financial statements may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results that may be obtained in the future.

(2) Excludes changes in non-cash working capital and other balance sheet items.

(3) EBITDAX represents net earnings before minority interest, gain/loss on sale of assets, income taxes, interest excluding interest income, exploration expense and depreciation, depletion and amortization. EBITDAX is presented because it is frequently used in evaluating companies and their ability to service debt. However, EBITDAX should not be considered as an alternative to net cash provided by operating activities as a measure of liquidity or as an alternative to net income as an indicator of our operating performance or any other measure of performance in accordance with generally accepted accounting principles. EBITDAX, as we use the term herein, may not be comparable to EBITDAX as reported by other companies.

(4) Debt to EBITDAX is equal to long-term debt (including current portion) divided by annualized EBITDAX.

(5) EBITDAX to interest is equal to EBITDAX divided by interest on total debt.

(6) Debt to total capitalization is equal to long-term debt (including current portion of long-term debt) divided by the sum of long-term debt plus shareholders' equity plus minority interest.

(7) Information in this table has been prepared using Gulf Canada and Crestar unaudited interim financial statements as at and for the nine months ended September 30, 2000.

(8) Information in this table has been prepared using Gulf Canada and Crestar audited financial statements as at and for the year ended December 31, 1999.

USE OF PROCEEDS

Unless otherwise indicated in a prospectus supplement relating to a series of debt securities, we will use the net proceeds we receive from the sale of the debt securities for general corporate purposes, which may include financing our capital expenditure program and working capital requirements and the repayment of indebtedness. The amount of net proceeds to be used for any such purpose will be set forth in a prospectus supplement. We may, from time to time, issue debt instruments and incur additional indebtedness other than through the issue of debt securities pursuant to this prospectus.

INTEREST AND ASSET COVERAGE

The following interest and asset coverages have been prepared in accordance with Canadian securities requirements and are included in this prospectus in accordance with Canadian disclosure requirements. These coverages have been calculated after giving effect to our acquisition of Crestar but do not give pro forma effect to any offering of the debt securities or any change in indebtedness other than as reflected in our comparative consolidated financial statements for the year ended December 31, 1999 and for the nine months ended September 30, 2000. The pro forma interest and asset coverage ratios set forth below do not purport to be indicative of interest and asset coverage ratios for any future periods.

The ratios are calculated on a consolidated basis as at December 31, 1999 and September 30, 2000 (in the case of asset coverage) and for the twelve-month periods then ended (in the case of interest coverage), and are based on audited and unaudited financial information.

	Pro Forma(4) December 31, 1999	Pro Forma(5) September 30, 2000
Interest coverage on long-term debt:		
Earnings(1)	—	2.53
Cash flow from operations(2)	4.18	6.70
Net asset coverage on long-term debt:(3)		
Before deduction of future income taxes	3.03	3.12
After deduction of future income taxes	2.29	2.28

Notes:

(1) Interest coverage on long-term debt on an earnings basis is equal to earnings before interest on long-term debt and income taxes divided by interest on long-term debt. Earnings were insufficient to cover interest on long-term debt for the year ended December 31, 1999 to the extent of $258 million.

(2) Interest coverage on long-term debt on a cash flow from operations basis is equal to cash flow from operations before interest on long-term debt and cash income taxes divided by interest on long-term debt.

(3) Net asset coverage on long-term debt is equal to total assets less current liabilities divided by long-term debt.

(4) The pro forma consolidated statements of earnings and cash flows for the twelve months ended December 31, 1999 used in the pro forma interest coverage on long-term debt ratios at December 31, 1999 and the asset and liability amounts used in the pro forma net asset coverage on long-term debt ratios as at December 31, 1999 are based on the audited consolidated financial statements of Gulf Canada and Crestar for the twelve months ended December 31, 1999 and assume the acquisition of Crestar occurred at the beginning of the period (in the case of the interest coverage) and at December 31, 1999 (in the case of the net asset ratio).

(5) The pro forma consolidated statements of earnings and cash flows for the twelve months ended September 30, 2000 used in the pro forma interest coverage on long-term debt ratios at September 30, 2000 and the asset and liability amounts used in the pro forma net asset coverage on long-term debt ratios as at September 30, 2000 are based on the unaudited consolidated financial statements of Gulf Canada and Crestar for the twelve months ended September 30, 2000 and assume the acquisition of Crestar occurred at the beginning of the period (in the case of the interest coverage) and at September 30, 2000 (in the case of the net asset ratio).

CREDIT RATING

We currently have a rating of Baa3 from Moody's Investor Services, Inc. ("Moody's"), a rating of BBB- from Standard & Poor's Corporation ("S&P") and a rating of BBB (low) from Dominion Bond Rating Service Limited ("DBRS") in respect to our senior unsecured long-term debt securities. Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities.

Moody's credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. According to the Moody's rating system, debt securities rated Baa are considered as medium grade obligations, i.e. they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such securities lack outstanding investment characteristics and in fact have speculative characteristics as well. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments on the notes. The ratings from AA to B may be modified by the addition of a plus (+) or minus (−) sign to show relative standing within the major rating categories.

DBRS' credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to the DBRS rating system, debt securities rated BBB are of adequate credit quality. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. The "high" and "low" grades are not used for the AAA category.

The credit ratings accorded to our debt securities by the rating agencies are not recommendations to purchase, hold or sell the debt securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant, and if any such rating is so revised or withdrawn, we are under no obligation to update this prospectus.

DESCRIPTION OF DEBT SECURITIES

The following description sets forth certain general terms and provisions of the debt securities to which any prospectus supplement may relate. The particular terms of the debt securities offered by any prospectus supplement and the extent, if any, to which such general provisions may not apply to the debt securities so offered will be described in the prospectus supplement relating to such debt securities.

The debt securities are to be issued under an Indenture (the "Indenture") entered into between us and The Bank of New York, as trustee (the "Trustee") dated October 17, 1997. A copy of such Indenture has been filed as an exhibit to the Registration Statement. The following summary of certain provisions of the debt securities and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture, including the definitions therein of certain terms. Wherever particular Sections, Articles or defined terms of the Indenture are referred to, it is intended that such Sections, Articles or defined terms shall be incorporated herein by reference. Article and Section references used herein are references to the Indenture. Capitalized terms not otherwise defined herein shall have the respective meanings given to them in the Indenture.

General

The Indenture does not limit the aggregate principal amount of debt securities that may be issued thereunder and provides that debt securities may be issued thereunder from time to time in one or more series. Reference is made to the prospectus supplement relating to the particular debt securities offered thereby which shall set forth the following terms, as applicable, of the offered debt securities:

- the title of the debt securities;
- any limit on the aggregate principal amount of the debt securities;
- the Person to whom any interest on the debt securities will be payable, if other than the Person in whose name such debt securities (or one or more predecessor debt securities) are registered on any Regular Record Date;
- the date or dates on which the principal of the debt securities will be payable;
- the rate or rates per annum (which may be fixed, floating or adjustable) at which the debt securities will bear interest, if any, or the formula pursuant to which such rate or rates shall be determined, the date or dates from which such interest will accrue and the dates on which such interest, if any, will be payable and the Regular Record Dates for such interest payment dates;
- the place or places where principal of (and premium, if any) and interest, if any, on debt securities will be payable;
- if applicable, the price at which, the periods within which and the terms and conditions upon which the debt securities may be redeemed, in whole or in part, at the option of Gulf Canada, pursuant to a sinking fund or otherwise;

- if applicable, any obligation of Gulf Canada to redeem or purchase debt securities pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof, and the period or periods within which, the price or prices at which and the terms and conditions upon which the debt securities will be redeemed or purchased, in whole or in part;
- if other than denominations of U.S.$1,000 and any integral multiple thereof, the denominations in which the debt securities will be issuable;
- the currency or currencies, including composite currencies or currency units, in which payment of the principal of (or premium, if any) or interest, if any, on any of the debt securities will be payable if other than the currency of the United States of America;
- if the amount of payments of principal of (or premium, if any) or interest, if any, on the debt securities may be determined with reference to one or more indices, the manner in which such amounts will be determined;
- if the principal of (or premium, if any) or interest, if any, on any of the debt securities of the series is to be payable, at the election of Gulf Canada or a Holder thereof, in one or more currencies, including composite currencies, or currency units other than that or those in which the debt securities are stated to be payable, the currency, currencies, including composite currencies, or currency units in which payment of the principal of (or premium, if any) or interest, if any, on debt securities of such series as to which such election is made will be payable, and the periods within which and the terms and conditions upon which such election is to be made;
- the portion of the principal amount of the debt securities, if other than the entire principal amount thereof, payable upon acceleration of maturity thereof;
- if the principal amount payable at the Stated Maturity of any debt securities of the series will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which shall be deemed to be the principal amount of such debt securities as of any such date for any purpose thereunder or under the Indenture, including the principal amount thereof which shall be due and payable upon any Maturity other than the Stated Maturity or which shall be deemed to be Outstanding as of any date prior to the Stated Maturity (or, in any such case, the manner in which such amount deemed to be the principal amount shall be determined);
- whether all or any part of the debt securities will be issued in the form of a permanent Global Security or debt securities, as described under "Global Securities", and, if so, the depositary for, and other terms relating to, such permanent Global Security or debt securities;
- any event or events of default applicable with respect to the debt securities in addition to those provided in the Indenture and any event or events of default contained in the Indenture which will not be applicable with respect to the debt securities;
- the applicability of, and any addition to, change in or limitation on, any covenant or warranty set forth in the Indenture and the definitions set forth in the Indenture that apply to the debt securities;
- any restriction or condition on the transferability of the debt securities;
- if applicable, that such debt securities, in whole or any specified part, are not defeasible pursuant to the provisions of the Indenture described under "Defeasance and Covenant Defeasance"; and
- any other specific terms or provisions of the debt securities not inconsistent with the Indenture. (Section 301)

Debt securities may be issued under the Indenture as Original Issue Discount Securities to be offered and sold at a substantial discount below their stated principal amount. Special Federal income tax, accounting and other considerations applicable thereto will be described in the prospectus supplement relating thereto. "Original Issue Discount Debt Security" means any debt security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof upon the occurrence and continuance of an Event of Default. (Section 101)

If the debt securities are denominated in whole or in part in any currency other than United States dollars, if the principal of (and premium, if any) or interest, if any, on the debt securities are to be payable, at the election of Gulf Canada or a Holder thereof, in a currency or currencies other than that in which such debt securities are to be payable, or if any index is used to determine the amount of payments of principal of, premium, if any, or interest on any series of the debt securities, special Federal income tax, accounting and other considerations applicable thereto will be described in the prospectus supplement relating thereto.

Except as described under "Merger, Amalgamation, Consolidation and Sale of Assets", the Indenture does not contain any provisions that would provide protection to Holders of the debt securities against a sudden and dramatic decline in our credit quality resulting from any takeover, recapitalization or similar restructuring or from other highly leveraged transactions.

Ranking and Other Indebtedness

The debt securities will be unsecured obligations of Gulf Canada and, unless otherwise provided in the prospectus supplement relating to such debt securities, will rank on a parity with all other senior unsecured and unsubordinated debt of Gulf Canada. The debt securities also will be structurally subordinated to all existing and future liabilities, including trade payables and indebtedness of any of our subsidiaries.

Crestar currently has outstanding U.S.$230 million of senior notes (the "Crestar Private Notes"), $100 million of medium term notes and $175 million under a bank facility. The bank facility, which will be repaid prior to February 28, 2001, and the Crestar Private Notes are guaranteed by subsidiaries (including corporations and a partnership) of Crestar which own or hold substantially all of Crestar's consolidated assets. Crestar's medium term notes are not guaranteed by its subsidiaries. Additionally, we are evaluating the amalgamation of Crestar with Gulf Canada. If we amalgamate Crestar with Gulf Canada, the U.S.$230 million of Crestar Private Notes will become direct obligations of Gulf Canada and we will be subject to all of the terms of these notes. As such, until repaid, the Crestar Private Notes rank structurally senior to any debt securities with respect to the assets of any subsidiary which guarantees the Crestar Private Notes.

We are also evaluating the transfer of our western Canadian assets to one or more wholly-owned corporate or partnership subsidiaries. Under the terms of the Crestar Private Notes, if we amalgamate Crestar with Gulf Canada, any subsidiary of ours which owns material western Canadian assets will also guarantee the Crestar Private Notes.

Form, Exchange and Transfer

The debt securities of each series will be issuable only in fully registered form, without coupons, and, unless otherwise specified in the applicable prospectus supplement, only in denominations of U.S.$1,000 and integral multiples thereof. (Section 302)

At the option of the Holder, subject to the terms of the Indenture and the limitations applicable to Global Securities, debt securities of each series will be exchangeable for other debt securities of the same series of any authorized denomination and of a like tenor and aggregate principal amount. (Section 305)

Subject to the terms of the Indenture and the limitations applicable to Global Securities, debt securities may be presented for exchange as provided above or for registration of transfer at the office of the Security Registrar or at the office of any transfer agent we designate for such purpose. No service charge will be made for any registration of transfer or exchange of debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Such transfer or exchange will be effected upon the Security Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. We have appointed the Trustee as Security Registrar. We will name any transfer agent, in addition to the Security Registrar, in the applicable prospectus supplement. (Section 305) We may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each Place of Payment for the debt securities of each series. (Section 1002)

If the debt securities of any series (or of any series and specified terms) are to be redeemed in part, we will not be required to (i) issue, register the transfer of or exchange any debt security of that series (or of that series and specified terms, as the case may be) during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any such debt security that may be selected for redemption and ending at the close of business on the day of such mailing or (ii) register the transfer of or exchange any debt security so selected for redemption, in whole or in part, except the unredeemed portion of any such debt security being redeemed in part. (Section 305)

Covenants

Unless otherwise set forth in the applicable prospectus supplement, the following covenants are only applicable to the debt securities of any series issued under the Indenture.

Limitation on Liens

The Indenture provides that we will not, directly or indirectly, Incur any Lien on or with respect to any Property of Gulf Canada, whether owned on the Issue Date or acquired after the Issue Date, or any interest therein or any income or profits therefrom, unless the debt securities are secured equally and ratably with (or prior to) any and all other obligations secured by such Lien, except for:

(a) any Lien existing on any Property of a Person at the time such Person is merged, amalgamated or consolidated with or into Gulf Canada, provided that such Liens are not extended to other Property of Gulf Canada;

(b) any Lien existing on any Property at the time of the acquisition thereof, provided that such Liens are not extended to other Property of Gulf Canada;

(c) Liens existing as of the Issue Date;

(d) Liens to secure any extension, renewal, refinancing, refunding or exchange (or successive extensions, renewals, refinancings, refundings or exchanges), in whole or in part, of or for any Indebtedness secured by Liens referred to in the foregoing clauses (a) through (c) above and clause (l) below; provided, however, that (i) such new Lien shall be limited to all or part of the same property that secured the original Lien, plus improvements on such property and (ii) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (A) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (a) through (c) above and clause (l) below at the time the original Lien became a Lien permitted in accordance with the Indenture and (B) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

(e) any Lien incidental to the normal conduct of our business, the ownership of our property or the conduct in the ordinary course of our business (including, without limitation, (i) easements, rights of way and similar encumbrances, (ii) rights of lessees under leases, (iii) rights of collecting banks having rights of setoff, revocation, refund or chargeback with respect to our money or instruments or on deposit with or in the possession of such banks, (iv) Liens imposed by law, including without limitation Liens under workers' compensation or similar legislation and mechanics', carriers', warehousemen's, materialmen's, suppliers' and vendors' Liens and (v) Liens Incurred to secure performance of obligations with respect to statutory or regulatory requirements, performance or return-of-money bonds, surety bonds or other obligations of a like nature and Incurred in a manner consistent with industry practice) in each case which are not incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of Property and which do not in the aggregate impair in any material respect the use of Property in the operation of our business and the business of our Restricted Subsidiaries, taken as a whole;

(f) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, so long as reserves have been established to the extent required by U.S. GAAP;

(g) Liens Incurred to secure appeal bonds and judgment and attachment Liens, in each case in connection with litigation or legal proceedings that are being contested in good faith by appropriate proceedings so long as reserves have been established to the extent required by U.S. GAAP and so long as such Liens do not encumber assets by an amount in excess of 1% of Consolidated Tangible Assets;

(h) Liens resulting from the deposit of funds or evidences of Indebtedness in trust for the purpose of defeasing our Indebtedness or any of our Subsidiaries;

(i) Liens securing a Hedging Agreement;

(j) Liens resulting from the pledge of Capital Stock of a Person that is not a Restricted Subsidiary;

(k) Oil and Gas Liens Incurred in the ordinary course of our business;

(l) Liens on pipelines, pumping stations or other pipeline facilities, drilling equipment, production equipment and platforms; tank cars, tankers, barges, ships, trucks, automobiles, airplanes or other marine, automotive, aeronautical or other similar moveable facilities or equipment; computer systems and associated programs; office equipment; weather stations; townsites; housing facilities, recreation halls, stores and other related facilities; gassification or gas liquefying facilities and burning towers, flares or stacks; retail service stations, bulk plants, storage facilities, terminals or warehouses; or similar facilities and equipment of or associated with any of the foregoing; provided, in each case, that, such Lien is Incurred to finance the acquisition by Gulf Canada of such property or assets within 90 days after such acquisition and such Lien shall be limited to the specified property or assets being financed;

(m) Liens on current assets (as determined in accordance with U.S. GAAP) given in the ordinary course of business to any financial institution to secure any Indebtedness payable on demand or maturing (including any right of extension or renewal) 18 months or less after the date such Indebtedness is incurred or the date of any renewal or extension thereof; and

(n) Liens not otherwise permitted by clauses (a) through (m) encumbering assets having an aggregate Fair Market Value at the date of Incurrence of the most recent such Lien not in excess of 5% of Consolidated Tangible Assets.

Merger, Amalgamation, Consolidation and Sale of Assets

The Indenture provides that we will not merge, amalgamate or consolidate with or into any other entity (other than a merger or amalgamation of a Subsidiary into Gulf Canada) or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all of our Property or assets to any Person, unless:

(a) the entity formed by or surviving any such consolidation, merger or amalgamation (if we are a party to the transaction and are not the surviving entity) or to which such sale, transfer or conveyance is made (the "Surviving Entity") shall be a corporation organized and existing under the laws of the United States of America or a State thereof or Canada or a Province thereof or the District of Columbia and such corporation expressly assumes by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, the due and punctual payment of the principal of, premium, if any, and interest on all the debt securities, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed by us;

(b) immediately before and after giving effect to such transaction or series of transactions, no Default or Event of Default shall have occurred and be continuing; and

(c) we have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, amalgamation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article of the Indenture and that all conditions precedent herein provided for relating to such transaction have been complied with. (Section 801)

In addition to the foregoing, the Indenture provides that we may also sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all of our Property or assets to an Eligible Partnership if (a) such transaction otherwise satisfies each of the requirements set forth in the preceding paragraph, (b) such Eligible Partnership expressly assumes, jointly and severally with us, by supplemental indenture satisfactory to the Trustee, the due and punctual payment of the principal, premium, if any, and interest on all the debt securities according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed by us and (c) a majority of our directors shall have determined at the time of the transaction that such transaction is not adverse in any material respect to the interests of the Holders of the debt securities as evidenced by a Board Resolution delivered to the Trustee. In the event of any such transaction, the Eligible Partnership and Gulf Canada will be considered for all purposes of the Indenture to be one and the same Person and constitute Gulf Canada for purposes of the Indenture and all of the provisions described under "Limitation on Liens" and "Additional Amounts" shall not apply to any transactions between Gulf Canada and the Eligible Partnership.

Certain Definitions

Set forth below is a summary of certain defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided. (Section 101)

"Capital Lease Obligation" of any Person means the obligation to pay rent or other payment amounts under a lease of (or other arrangement conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with U.S. GAAP. For purposes of the "Limitation on Liens" covenant, a Capital Lease Obligation shall be deemed to be secured by a Lien on the property being leased.

"Capital Stock" in any Person means any and all shares, interests, participations or other equivalents in the equity interest (however designated) in such Person and any rights (other than debt securities convertible into an equity interest), warrants or options to subscribe for or to acquire an equity interest in such Person; provided, however, that "Capital Stock" shall not include Redeemable Stock.

"Consolidated Tangible Assets" means the total assets, after deducting therefrom all goodwill, trade names, trademarks, patents, organization expenses and other like intangibles, of Gulf Canada and its Restricted Subsidiaries on a consolidated basis as of the date of Gulf Canada's most recent quarterly balance sheet determined in accordance with U.S. GAAP.

"Corridor Entities" means any Subsidiary (a "Corridor Subsidiary") (i) that holds the production sharing contract(s) for the commercial development of gas reserves for the Corridor Block PSC area of Indonesia and associated lands (the "Corridor Project"); (ii) that directly Incurs Indebtedness for borrowed money solely for the purpose of funding, directly or indirectly, the investment in the Corridor Project; and (iii) of a Subsidiary described in clause (i) or (ii) above or of which a Subsidiary described in clause (i) or (ii) above is a Subsidiary, which Subsidiary has no material assets (other than securities or debt of another Subsidiary described in clause (i) or (ii) above), liabilities or operations other than in relation to the Corridor Project; provided, however, that the holders of Indebtedness of any such Corridor Subsidiary do not have recourse to Gulf Canada or any Restricted Subsidiary in an aggregate amount in excess of U.S.$200,000,000.

"Default" means any event, act or condition the occurrence of which is, or after notice or the passage of time or both would be, an Event of Default.

"Eligible Partnership" means a partnership all the interests of which are owned directly or indirectly by Gulf Canada and its Restricted Subsidiaries and to which all or substantially all of the assets of Gulf Canada have been transferred in accordance with the covenant described under "Merger, Amalgamation, Consolidation and Sale of Assets".

"Exchange Rate Contract" means, with respect to any Person, any currency swap agreements, forward exchange rate agreements, foreign currency futures or options, exchange rate collar agreements, exchange rate insurance and other agreements or arrangements, or any combination thereof, designed to provide protection against fluctuations in currency exchange rates.

"Fair Market Value" means, with respect to any assets as of any date of determination, the fair market value of such assets as of such date as determined in good faith by (i) any officer of Gulf Canada if such fair market value does not exceed 1% of Consolidated Tangible Assets and (ii) the Board of Directors of Gulf Canada as evidenced by a certified resolution delivered to the Trustee if such fair market value exceeds 1% of Consolidated Tangible Assets.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including, without limitation, any Lien on the assets of such Person securing obligations of the primary obligor and any obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase or payment of) any security for the payment of such Indebtedness, (ii) to purchase Property, securities or services for the purpose of assuring the holder of such Indebtedness of the payment of such Indebtedness, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness (and "Guaranteed", "Guaranteeing" and "Guarantor" shall have meanings correlative to the foregoing); provided, however, that a Guarantee by any Person shall not include (i) endorsements by such Person for collection or

deposit, in either case, in the ordinary course of business or (ii) a contractual commitment by one Person to invest in another Person.

"Hedging Agreements" means Exchange Rate Contracts, Interest Rate Protection Agreements and Oil and Gas Purchase and Sale Contracts.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), extend, assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation or the recording, as required pursuant to U.S. GAAP or otherwise, of any such Indebtedness or obligation on the balance sheet of such Person (and "Incurrence", "Incurred", "Incurable" and "Incurring" shall have meanings correlative to the foregoing); provided, however, that for the avoidance of any possible doubt, a change in U.S. GAAP that results in an obligation of such Person that exists at such time becoming Indebtedness shall not be deemed an Incurrence of such Indebtedness.

"Indebtedness" means at any time (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person, and whether or not contingent, (i) any obligation of such Person for borrowed money, (ii) any obligation of such Person evidenced by bonds, debentures, notes, Guarantees or other similar instruments, including, without limitation, any such obligations Incurred in connection with the acquisition of Property, assets or businesses, (iii) any reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) any obligation of such Person issued or assumed as the deferred purchase price of Property or services, (v) any Capital Lease Obligation of such Person, (vi) the maximum fixed redemption or repurchase price of Redeemable Stock of such Person at the time of determination, (vii) any payment obligation of such Person under Hedging Agreements at the time of determination, (viii) any obligation to pay rent or other payment amounts of such Person with respect to any Sale and Leaseback Transaction to which such Person is a party, other than rent pursuant to an operating lease for Gulf Canada's headquarters and (ix) any obligation of the type referred to in clauses (i) through (viii) of this paragraph of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed or is responsible or liable, directly or indirectly, as obligor, Guarantor or otherwise, provided that Indebtedness shall not include Production Payments and Reserve Sales. For purposes of this definition, the maximum fixed repurchase price of any Redeemable Stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Stock as if such Redeemable Stock were repurchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture; provided, however, that if such Redeemable Stock is not then permitted to be repurchased, the repurchase price shall be the book value of such Redeemable Stock. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability of any contingent obligations in respect thereof at such date.

"Interest Rate Protection Agreement" means, with respect to any Person, any interest rate swap agreement, forward rate agreement, interest rate cap or collar agreement or other financial agreement or arrangement designed to protect such Person or its Restricted Subsidiaries against fluctuations in interest rates, as in effect from time to time.

"Issue Date" means, when used with respect to a debt security of a particular series, the date upon which the debt securities of such series first were issued and authenticated under the Indenture.

"Lien" means, with respect to any Property, any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, Security interest, lien (statutory or other), charge, easement, encumbrance, preference, priority or other Security or similar agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such Property (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any

of the foregoing), but excluding any interest in accounts receivable that have been sold in a transaction accounted for as a sale in accordance with Canadian GAAP.

"Oil and Gas Business" means the business of the exploration for, and development, acquisition, production, processing, marketing, refining, storage and transportation of, hydrocarbons and other related energy and natural resource businesses.

"Oil and Gas Liens" means (i) Liens on any specific property or any interest therein, construction thereon or improvement thereto to secure all or any part of the costs incurred for acquisition, surveying, exploration, drilling, extraction, development, operation, production, construction, alteration, repair or improvement of, in, under or on such property and the plugging and abandonment of wells located thereon (it being understood that, in the case of oil and gas producing properties, or any interest therein, costs incurred for "development" shall include costs incurred for all facilities relating to such properties or to projects, ventures or other arrangements of which such properties form a part or which relate to such properties or interests), or for acquiring ownership of any Person which owns any such property or interest therein; (ii) Liens on an oil and/or gas producing property to secure obligations incurred or guarantees of obligations incurred in connection with or necessarily incidental to commitments for the purchase or sale of, or the transportation or distribution of, the products derived from such property; (iii) Liens arising under partnership agreements, oil and gas leases, overriding royalty agreements, net profits agreements, production payment agreements, royalty trust agreements, master limited partnership agreements, farm-out agreements, division orders, contracts for the sale, purchase, exchange, transportation, gathering or processing of oil, gas or other hydrocarbons, unitizations and pooling designations, declarations, orders and agreements, development agreements, operating agreements, production sales contracts, area of mutual interest agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or geophysical permits or agreements, and other agreements which are customary in the Oil and Gas Business, provided in all instances that such Liens are limited to the assets that are the subject of the relevant agreement; (iv) Liens arising in connection with Production Payments and Reserve Sales; and (v) Liens on pipelines or pipeline facilities that arise by operation of law.

"Oil and Gas Purchase and Sale Contract" means, with respect to any Person, any oil and gas agreements, and other agreements or arrangements, or any combination thereof, designed to provide protection against oil and gas price fluctuations.

"Person" means any individual, corporation, company, partnership, joint venture, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Production Payments and Reserve Sales" means the grant or transfer to any Person of a royalty, overriding royalty, net profits interest, production payment (whether volumetric or dollar denominated), master limited partnership interest or other interest in oil and gas properties, reserves or the right to receive all or a portion of the production or the proceeds from the sale of production attributable to such properties where the Holder of such interest has recourse solely to such production or proceeds of production, subject to the obligation of the grantor or transferor to operate and maintain, or cause the subject interests to be operated and maintained, in a reasonably prudent manner or other customary standard or subject to the obligation of the grantor or transferor to indemnify for environmental matters.

"Property" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including, without limitation, Capital Stock in any other Person (but excluding Capital Stock or other securities issued by such Person).

"Redeemable Stock" of any Person means any equity security of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or otherwise (including on the happening of an event), is required to be redeemed for cash or other Property or is redeemable for cash or other Property at the option of the holder thereof, in whole or in part, on or prior to the Stated Maturity of the debt securities; or is exchangeable for Indebtedness at any time, in whole or in part, on or prior to the Stated Maturity of the debt securities; provided, however, that Redeemable Stock shall not include any security by virtue of the fact that it may be exchanged or converted at the option of the holder or of Gulf Canada for Capital Stock of Gulf Canada having no preference as to dividends or liquidation over any other Capital Stock of Gulf Canada.

"Restricted Subsidiary" means (i) if any of our 9⅝% Senior Subordinated Debentures due 2005 shall remain outstanding, any other Subsidiary of Gulf Canada that is designated a Restricted Subsidiary pursuant to the Indenture dated as of July 5, 1995, as amended, between Gulf Canada and The Bank of New York, as trustee, and (ii) if none of our 9⅝% Senior Subordinated Debentures due 2005 shall remain outstanding, any other Subsidiary of Gulf Canada that would be a "Significant Subsidiary" of Gulf Canada within the meaning of Rule 1-02 under Regulation S-X promulgated by the Commission, other than, in the case of clause (ii), (A) any of the Corridor Entities and (B) any other Subsidiary if (1) substantially all the assets of such Subsidiary are located outside the United States and Canada and (2) the holders of the Indebtedness of such Subsidiary do not have recourse to Gulf Canada or any Restricted Subsidiary in an aggregate amount in excess of 1% of Consolidated Tangible Assets.

"Sale and Leaseback Transaction" means, with respect to any Person, any direct or indirect arrangement (excluding, however, any such arrangement between such Person and a Restricted Subsidiary of such Person or between one or more Restricted Subsidiaries of such Person) pursuant to which Property is sold or transferred by such Person or a Restricted Subsidiary of such Person and is thereafter leased back from the purchaser or transferee thereof by such Person or one of its Restricted Subsidiaries.

"Subsidiary" of a Person means (a) another Person which is a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned or controlled by (i) the first Person, (ii) the first Person and one or more of its Subsidiaries or (iii) one or more of the first Person's Subsidiaries or (b) another Person which is not a corporation (x) at least 50% of the ownership interest of which and (y) the power to elect or direct the election of a majority of the directors or other governing body of which are controlled by Persons referred to in clauses (i), (ii) or (iii) above. Unless the context otherwise requires, the term "Subsidiary" when used in the Indenture shall mean a Subsidiary of Gulf Canada.

Additional Amounts

The Indenture provides, unless such provision is made inapplicable to the debt securities of any series pursuant to Section 301 of the Indenture (which will be indicated in the prospectus supplement applicable thereto), that all payments made by Gulf Canada under or with respect to the debt securities will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, interest, assessment or other governmental charge imposed or levied by or on behalf of the Government of Canada or any province or territory thereof or by any authority or agency therein or thereof having power to tax ("Canadian Taxes"), unless we are required to withhold or deduct Canadian Taxes under Canadian law or by the interpretation or administration thereof. If, after the Issue Date, we are so required to withhold or deduct any amount for or on account of Canadian Taxes from any payment made under or with respect to the debt securities, we will pay to each Holder of debt securities Outstanding on the day of the required payment, such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by such Holder (including the Additional Amounts) after such withholding or deduction will not be less than the amount such

Holder would have received if such Canadian Taxes had not been withheld or deducted, provided that no Additional Amounts will be payable with respect to a payment made to a Holder of the debt securities (an "Excluded Holder") (i) with which we do not deal at arm's length (within the meaning of the Income Tax Act (Canada)) at the relevant time or (ii) which is subject to such Canadian Taxes by reason of its being connected with Canada or any province or territory thereof otherwise than by the mere holding of the debt securities or the receipt of payments thereunder. We will also (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. We will furnish, within 30 days after the date the payment of any Canadian Taxes is due pursuant to applicable law, to the Holder of debt securities Outstanding on the date of the required payment copies of tax receipts evidencing that such payment has been made by Gulf Canada. We will indemnify and hold harmless each Holder of debt securities Outstanding on the date of the required payment (other than Excluded Holders) and upon written request reimburse each such Holder for the amount of (i) any Canadian Taxes so levied or imposed and paid by such Holders as a result of payments made under or with respect to the debt securities, (ii) any liability (including penalties, interest and expense) arising therefrom or with respect thereto, and (iii) any Canadian Taxes imposed with respect to any reimbursement under clause (i) or (ii) above. (Section 1009)

At least 30 days prior to each date on which any payment under or with respect to the debt securities is due and payable, if we become obligated to pay Additional Amounts with respect to such payment, we will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amount so payable and will set forth such other information as is necessary to enable the Trustee to pay such Additional Amounts to the Holders of the debt securities on the payment date. Whenever in the Indenture there is mentioned, in any context, (a) the payment of principal (and premium, if any), (b) purchase prices in connection with a repurchase of debt securities, (c) interest, or (d) any other amount payable on or with respect to any of the debt securities, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof. (Section 1009)

The Indenture provides, unless such provision is made inapplicable to the debt securities of any series pursuant to Section 301 of the Indenture (which will be indicated in the prospectus supplement applicable thereto), that we may at any time redeem in whole but not in part the outstanding debt securities at a redemption price of 100% of the principal amount thereof plus accrued interest (if any) to the date of redemption if we have become or would become obligated to pay any Additional Amounts as a result of (i) any change in or amendment to the laws (or regulations promulgated thereunder) of Canada (or any political subdivision or taxing authority thereof or therein) or (ii) any change in or amendment to any official position regarding the application or interpretation of such laws or regulations, which change or amendment is announced or is effective on or after the Issue Date of the Securities for which such determination is being made.

No notice of such redemption may be given earlier than 30 days prior to the earliest date on which Gulf Canada would but for such redemption be obligated to pay such Additional Amounts and at the time such notice is given, such obligation to pay such Additional Amounts shall remain in effect. (Section 1108)

Events of Default

Unless otherwise specified in the prospectus supplement relating to a particular series of debt securities, the following events are defined in the Indenture as "Events of Default" with respect to debt securities of any series:

(a) failure to pay principal (including any sinking fund payment) of (or premium, if any, on) any debt security of that series when due;

(b) failure to pay any interest on any debt security of that series when due, continued for 30 days;

(c) failure to perform any other covenant or warranty of Gulf Canada under the Indenture (other than a covenant or warranty the performance of which is dealt with specifically elsewhere in the Indenture or which has been included in the Indenture solely for the benefit of a series of debt securities other than that series), continued for 60 days after written notice as provided in the Indenture;

(d) a default under any Indebtedness for borrowed money by Gulf Canada (including a default with respect to debt securities of any series other than that series) or any Restricted Subsidiary which results in an amount greater than 1% of Consolidated Tangible Assets (5% of Consolidated Tangible Assets in the case of Indebtedness for which the recourse to Gulf Canada or a Restricted Subsidiary is limited solely (except for standard representations and warranties relating to ownership, authorization to transfer, incorporation and other customary matters) to the asset which is the subject of such Indebtedness; provided, that the amount of such Indebtedness shall be deemed to be equal to the Fair Market Value of the asset (as of the date of determination, as determined in good faith by the Board of Directors of Gulf Canada) subject to such Indebtedness) of such Indebtedness becoming or being declared due and payable, or failure to pay any such Indebtedness at maturity, in an amount greater than 1% of Consolidated Tangible Assets (5% of Consolidated Tangible Assets in the case of Indebtedness for which the recourse to Gulf Canada or a Restricted Subsidiary is limited solely (except for standard representations and warranties relating to ownership, authorization to transfer, incorporation and other customary matters) to the asset which is the subject of such Indebtedness; provided, that the amount of such Indebtedness shall be deemed to be equal to the Fair Market Value of the asset (as of the date of determination, as determined in good faith by the Board of Directors of Gulf Canada) subject to such Indebtedness) if such Indebtedness is not discharged or such acceleration is not rescinded or annulled within 15 business days after written notice as provided in the Indenture;

(e) one or more final judgments or orders by a court of competent jurisdiction are entered against Gulf Canada or any Restricted Subsidiary in an uninsured or unindemnified aggregate amount in excess of 1% of Consolidated Tangible Assets and such judgments or orders are not discharged, waived, stayed, satisfied or bonded for a period of 60 consecutive days after the right to appeal all judgments or orders has expired;

(f) certain events of bankruptcy, insolvency or reorganization; and

(g) any other Event of Default provided with respect to debt securities of that series. (Section 501)

Except as defined in the prospectus supplement relating thereto and except as specified in clauses (d), (e) and (f) of the preceding paragraph, no Event of Default with respect to debt securities of a particular series shall necessarily constitute an Event of Default with respect to debt securities of any other series. (Section 501). The Holders of a majority in principal amount of the Outstanding Debt Securities of any series shall have the right, subject to such provisions for indemnification of the Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the debt securities of such series, provided that (1) such direction shall not be in conflict with any rule of law or with the Indenture or involve the Trustee in personal liability or be unjustly prejudicial to the Holders of the Securities of such series not taking part in such direction, and (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. (Section 512)

If an Event of Default (other than an Event of Default specified in clause (f) of the second preceding paragraph) with respect to debt securities of any series at the time outstanding occurs and is continuing, then in every such case the Trustee or the Holders of at least 25% in principal amount of the Outstanding debt securities of that series may, by a notice in writing to Gulf Canada (and to the Trustee if given by the Holders), declare the principal amount (or, if the debt securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the debt securities of that series to be due and payable immediately; provided, however, that under certain circumstances the Holders of a majority in aggregate principal amount of Outstanding debt securities of that series may rescind or annul such declaration and its consequences. (Section 502) If an Event of Default specified in clause (f) of the second preceding paragraph occurs, the Outstanding debt securities automatically will become immediately payable without any declaration or other act on the part of the Trustee or any Holder. (Section 502) For information as to waiver of defaults, see "Modification and Waiver" herein.

Reference is made to the prospectus supplement relating to any series of debt securities which are Original Issue Discount Securities for the particular provisions relating to the principal amount of such Original Issue Discount Securities due on acceleration upon the occurrence of an Event of Default and the continuation thereof.

No Holder of any debt security of any series will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy hereunder, unless such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the debt securities of that series, and unless also the Holders of not less than 25% in principal amount of the Outstanding debt securities of that series shall have made written request, and offered reasonable indemnity to the Trustee, to institute proceedings as trustee, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding debt securities of the same series a direction inconsistent with such request, and shall have failed to institute such proceeding within 60 days. (Section 507) However, such limitations do not apply to a suit instituted by a Holder of any debt security for enforcement of payment of the principal of (or premium, if any) or interest, if any, on such debt security on or after the respective due dates expressed in such debt security. (Section 508)

Subject to the provisions of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request of any of the Holders of debt securities unless they shall have offered to such Trustee Security or indemnity in form and substance reasonably satisfactory to such Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request. (Section 603)

We will be required to furnish to the Trustee annually a statement by certain officers of Gulf Canada as to whether we are in default in the performance and observance of any of the terms, provisions and conditions of the Indenture. (Section 1004)

Modification and Waiver

Modifications and amendments of the Indenture may be made by Gulf Canada and the Trustee, with the consent of the Holders of not less than a majority of principal amount of each series of the Outstanding debt securities of each series affected by the modification or amendment; provided, however, that no such modification or amendment may, without the consent of the Holder of each such Outstanding debt security affected thereby:

- change the Stated Maturity of the principal of or any installment of principal or interest, if any, on any such debt security;
- reduce the principal amount of or the interest rate, if any, on any such debt security or the principal amount due upon acceleration of an Original Issue Discount Security;

- adversely affect any right of repayment at the option of the Holder of any such debt security;
- reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation;
- change the place or currency of payment of principal of (or premium, if any) or the interest, if any, on any such debt security;
- impair the right to institute suit for the enforcement of any such payment on or with respect to any such debt security on or after the Stated Maturity (or, in the case of redemption, on or after the Redemption Date);
- reduce the percentage of the principal amount of Outstanding debt securities of any series, the consent of the Holders of which is necessary to modify or amend the Indenture; or
- modify the foregoing requirements or reduce the percentage of Outstanding debt securities necessary to waive compliance with certain provisions of the Indenture or for waiver of certain defaults. (Section 902)

The Holders of at least a majority of the aggregate principal amount of the Outstanding debt securities of any series may, on behalf of all Holders of that series, waive compliance by Gulf Canada with certain restrictive provisions of the Indenture and waive any past default under the Indenture, except a default in the payment of principal, premium or interest or in the performance of certain covenants. (Sections 101 and 513)

The Indenture provides that in determining whether the Holders of the requisite principal amount of the Outstanding debt securities of any series have given or taken any direction, notice, consent, waiver or other action under the Indenture as of any date: (i) the principal amount of an Original Issue Discount Debt Security which shall be deemed to be Outstanding shall be the amount of the principal thereof which would be due and payable as of such date upon acceleration of the Maturity thereof to such date; (ii) if, as of such date, the principal amount payable at the Stated Maturity of a debt security is not determinable (for example, because it is based on an index), the principal amount of such debt security which shall be deemed to be Outstanding as of such date shall be the amount determined in the manner prescribed for such debt security; and (iii) the principal amount of a debt security denominated in one or more foreign currencies or currency units which shall be deemed to be Outstanding shall be the United States dollar equivalent, determined as of such date in the manner prescribed for such debt security, of the principal amount of such debt security (or, in the case of a debt security described in clause (i) or (ii) above, of the amount determined as provided in such clause). Certain debt securities, including those for which payment or redemption money has been deposited or set aside in trust for the Holders and those that have been fully defeased pursuant to Section 1302 of the Indenture, will not be deemed to be Outstanding. (Section 101) For purposes of the Indenture, the debt securities of any series "Outstanding" thereunder are deemed to exclude those owned by persons that control, are controlled by or are under common control with Gulf Canada. (Section 101)

Except in certain limited circumstances, we will be entitled to set any day as a record date for the purpose of determining the Holders of Outstanding debt securities of any series entitled to give or take any direction, notice, consent, waiver or other action under the Indenture, in the manner and subject to the limitations provided in the Indenture. In certain limited circumstances, the Trustee will be entitled to set a record date for action by Holders. If a record date is set for any action to be taken by Holders of a particular series, such action may be taken only by persons who are Holders of Outstanding debt securities of that series on the record date. To be effective, such action must be taken by Holders of the requisite principal amount of such debt securities within a specified period following the record date. For any particular record date, this period will be as may be specified by Gulf Canada (or the

Trustee, if it set the record date); provided that if such period is not designated, the party that set such record date shall be deemed to have initially designated such period to be 180 days. (Section 104)

Defeasance and Covenant Defeasance

The Indenture provides, unless such provision is made inapplicable to the debt securities of any series pursuant to Section 301 of the Indenture (which will be indicated in the prospectus supplement applicable thereto), that we may elect either (A) to defease and be discharged from any and all obligations with respect to such debt securities then outstanding (except for the obligations to exchange or register the transfer of such debt securities, to replace temporary or mutilated, destroyed, lost or stolen debt securities, to maintain an office or agency in respect of the debt securities, to hold monies for payments in trust and under the last paragraph described under "Additional Amounts") ("defeasance"), or (B) to be released from its obligations with respect to such debt securities concerning certain restrictions described under covenants applicable to such debt securities which are subject to covenant defeasance ("covenant defeasance"), and the occurrence of an event described in clauses (c), (d), (e) and (g) under "Events of Default" (and any covenants determined, pursuant to Section 301 of the Indenture, to be subject to covenant defeasance) shall no longer be an Event of Default, in each case, upon the irrevocable deposit with the Trustee (or other qualifying trustee), in trust for such purpose, of money, and/or U.S. Government Obligations which through the payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest, if any, on such debt securities, on the scheduled due dates therefore. Such a trust may only be established if, among other things:

(i) we have delivered to the Trustee an opinion of counsel (as specified in the Indenture) to the effect that the Holders of such debt securities will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred;

(ii) no Event of Default or event which with the giving of notice or lapse of time, or both, would become an Event of Default under the Indenture shall have occurred and be continuing on the date of such deposit; and

(iii) certain other customary conditions precedent are satisfied. In the case of defeasance under clause (A) above, the opinion of counsel referred to in clause (i) above must refer to and be based on a ruling of the Internal Revenue Service issued to Gulf Canada or published as a revenue ruling or on a change in applicable Federal income tax law, in each case after the date of the Indenture. (Article Thirteen)

We may exercise the defeasance option with respect to such debt securities notwithstanding our prior exercise of the covenant defeasance option. If we exercise the defeasance option, payment of such debt securities may not be accelerated because of an Event of Default. If we exercise the covenant defeasance option, payment of such debt securities may not be accelerated by reference to the covenants noted under clause (B) above. In the event we omit to comply with the remaining obligations with respect to such debt securities under the Indenture after exercising our covenant defeasance option and such debt securities are declared due and payable because of the occurrence of any Event of Default, the amount of money and U.S. Government Obligations on deposit with the Trustee may be insufficient to pay amounts due on the debt securities of such series at the time of the acceleration resulting from such Event of Default, because the required deposit in the defeasance trust is based upon scheduled cash flows, rather than market values, which will vary depending on prevailing interest rates and other factors. However, we will remain liable in respect of such payments. (Article Thirteen)

The prospectus supplement may further describe the provisions, if any, applicable to defeasance or covenant defeasance with respect to the debt securities of a particular series.

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, payment of interest on a debt security on any Interest Payment Date will be made to the Person in whose name such debt security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest payment. (Section 307)

Unless otherwise indicated in the applicable prospectus supplement, principal of and any premium and interest on the debt securities of a particular series will be payable at the office of such Paying Agent or Paying Agents as we may designate for such purpose from time to time, except that, at our option, payment of any interest may be made by check mailed to the address of the Person entitled thereto as such address appears in the Security Register. Unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the Trustee in New York City will be designated as our sole Paying Agent for payments with respect to debt securities of each series.

Any other Paying Agents initially designated by us for the debt securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that we will be required to maintain a Paying Agent in each place of payment for the debt securities of a particular series. (Section 1002)

All moneys paid by us to a Paying Agent for the payment of the principal of or any premium or interest on any debt security which remain unclaimed at the end of one year after such principal, premium or interest has become due and payable will be repaid to us, and the Holder of such debt security thereafter may look only to us for payment thereof. (Section 1003)

Global Securities

Some or all of the debt securities of any series may be represented, in whole or in part, by one or more Global Securities which will have an aggregate principal amount equal to that of the debt securities represented thereby. Each Global Security will be registered in the name of a Depositary or a nominee thereof identified in the applicable prospectus supplement, will be delivered to such Depositary or a nominee or a custodian therefore and will bear a legend regarding the restrictions on exchanges and registration of transfer thereof referred to below and any such other matters as may be provided for pursuant to the Indenture. (Section 305)

Notwithstanding any provision in the Indenture or any debt security described herein, no Global Security may be exchanged in whole or in part for debt securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or any nominee of such Depositary unless (i) the Depositary has notified us that it is unwilling or unable to continue as Depositary for such Global Security or has ceased to be a clearing agency registered under the Exchange Act, (ii) there shall have occurred and be continuing an Event of Default with respect to the debt securities represented by such Global Security or (iii) there shall exist such circumstances, if any, in addition to or in lieu of those described above as may be described in the applicable prospectus supplement. All debt securities issued in exchange for a Global Security or any portion thereof will be registered in such names as the Depositary may direct. (Sections 204 and 305)

As long as the Depositary, or its nominee, is the registered Holder of a Global Security, the Depositary or such nominee, as the case may be, will be considered the sole owner and Holder of such Global Security and the debt securities represented thereby for all purposes under the debt securities and the Indenture. Except in the limited circumstances referred to above, owners of beneficial interests in a Global Security will not be entitled to have such Global Security or any debt securities represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificate debt securities in exchange therefore will not be considered to be the owners or Holders of such Global Security or any debt securities represented thereby for any purpose under the debt securities or the Indenture. All payments of principal of and premium and interest on a Global Security will be made to the Depositary or its nominee, as the case maybe, as the Holder thereof. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer interests in a Global Security.

Ownership of beneficial interests in a Global Security will be limited to institutions that have accounts with the Depositary or its nominee ("participants") and to persons that may hold beneficial interests through participants. In connection with the issuance of any Global Security, the Depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of debt securities represented by the Global Security to the accounts of its participants. Ownership of beneficial interests in a Global Security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the Depositary (with respect to participants' interests) or any such participant (with respect to interests of persons held by such participant on their behalf). Payments, transfers, exchanges and other matters relating to beneficial interests in a Global Security may be subject to various policies and procedures adopted by the Depositary from time to time. None of Gulf Canada, the Trustee or any agent of Gulf Canada or the Trustee will have any responsibility or liability for any aspect of the Depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in a Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Beneficial interests in a Global Security will trade in the Depositary's same-day funds settlement system, in which secondary market trading activity in those beneficial interests would be required by the Depositary to settle in immediately available funds. Also, settlement for purchases of beneficial interests in a Global Security upon the original issuance thereof will be required to be made in immediately available funds.

The Trustee

The Bank of New York is the Trustee under the Indenture. The Trustee maintains normal banking relationships with us and our subsidiaries and acts as Trustee in respect of our 9¼% Senior Subordinated Debentures Due 2004, our 8⅜% Senior Debentures due 2005, our 9⅝% Senior Subordinated Debentures Due 2005, our 8.35% Senior Notes Due 2006 and our 8¼% Senior Notes due 2017. Upon the occurrence of an Event of Default or an event which, after notice or lapse of time or both, would become an Event of Default, or upon the occurrence of a default under the indentures for such other debt securities, the Trustee may be deemed to have a conflicting interest with respect to the debt securities or such other indentures for purposes of the Trust Indenture Act and, accordingly, may be required to resign as Trustee under the Indenture. In that event, we would be required to appoint a successor Trustee. The Trustee may perform certain services for and transact other business with us and our subsidiaries from time to time in the ordinary course of business. (Section 608)

Governing Law; Consent to Jurisdiction and Service of Process

The Indenture and the debt securities are governed by and shall be construed in accordance with the laws of the State of New York. (Section 112)

The Indenture provides, unless such provision is made inapplicable to the debt securities of any series pursuant to Section 301 of the Indenture (which will be indicated in the prospectus supplement applicable thereto) that we will appoint an agent in the Borough of Manhattan in The City of New

York (initially CT Corporation System, 1633 Broadway, New York, New York 10019), as our agent for service of process in any suit, action or proceeding with respect to the Indenture and that any such action may be brought in any Federal court (or, if such court refuses to take jurisdiction, in any New York state court) located in the Borough of Manhattan in The City of New York and that Gulf Canada will submit to the jurisdiction of such courts. (Section 1601)

RISK FACTORS

Prospective purchasers of the debt securities should consider carefully the risk factors set forth below as well as the other information contained and incorporated by reference in this prospectus and in the prospectus supplement before purchasing the debt securities offered hereby.

Volatility of Oil and Natural Gas Prices

Our results of operations and financial condition are dependent on the prices we receive for our oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including actions by the Organization of Petroleum Exporting Countries, weather and general economic conditions as well as conditions in other oil producing regions, which are beyond our control. Any material decline in oil or natural gas prices could have a material adverse effect on our operations, financial condition, proved reserves and the amount we spend to develop oil and natural gas reserves.

In addition, we regularly assess the carrying value of our assets in accordance with Canadian GAAP under the successful efforts method of accounting. If oil and natural gas prices become depressed or decline, the carrying value of our assets could be subject to downward revision.

Approximately 6% of our 2000 production to September 30, 2000 on a Boe basis was heavy oil. The market prices for heavy oil differ from the established market indices for light and medium grades of oil, due principally to the higher transportation and refining costs associated with heavy oil. As a result, the price received for heavy oil is generally lower than the price for medium and light oil, and the production costs associated with heavy oil are relatively higher than for lighter grades. No assurances can be made as to future differentials. Increased differentials may have an adverse effect on Gulf Canada.

Priority of Crestar Private Notes; Consequences of Holding Company Structure

We are evaluating the amalgamation of Crestar with Gulf Canada. If the amalgamation is completed, U.S.$230 million of outstanding Crestar Private Notes will become our direct obligation, and we will be subject to the terms of these notes. Each of Crestar's subsidiaries which owns material western Canadian assets has guaranteed the Crestar Private Notes. If we amalgamate Crestar with Gulf Canada, any subsidiary of ours which holds material western Canadian assets will also guarantee the Crestar Private Notes, including subsidiaries we form in the future. Such Crestar Private Notes would therefore be structurally senior to any debt securities with respect to the assets of these subsidiary guarantors. See "Description of Debt Securities—Ranking and Other Indebtedness".

We are also evaluating the transfer of our western Canadian assets to one or more corporate or partnership subsidiaries. If we complete a transfer of our western Canadian assets to subsidiaries, our results of operations and ability to service indebtedness, including the debt securities, will be dependent upon the results of operations of these subsidiaries and the payment of funds by such subsidiaries to us in the form of loans, dividends or otherwise. Our subsidiaries will not have an obligation to pay amounts due pursuant to any debt securities or to make any funds available for payment of debt securities, whether by dividends, interest, loans, advances or other payments. In addition, the payment of dividends and the making of loans, advances and other payments to us by our subsidiaries may be subject to statutory or contractual restrictions.

If we were to liquidate our corporate or partnership subsidiary, the assets of the subsidiary would be used first to repay the indebtedness of the subsidiary, including trade payables, prior to being used by us to pay our indebtedness, including any debt securities. The debt securities are therefore structurally subordinated to the indebtedness and other obligations of our subsidiaries.

We intend to complete the amalgamation of Crestar and pursue the contribution of our western Canadian assets into subsidiaries in a manner which will not be materially adverse to the ratings assigned to any offered debt securities.

Foreign Investments

Some of our foreign investments involve risks typically associated with investments in developing countries such as uncertain political, economic, legal and tax environments. These risks may include, among other things, currency restrictions and exchange rate fluctuations, loss of revenue, property and equipment as a result of hazards such as expropriation, nationalization, war, insurrection and other political risks, risks of increases in taxes and governmental royalties, renegotiation of contracts with governmental entities and quasi-governmental agencies, changes in laws and policies governing operations of foreign-based companies and other uncertainties arising out of foreign government sovereignty over our international operations. In addition, if a dispute arises in our foreign operations, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of a court in the United States or Canada. We have been operating in developing countries for over 30 years and attempt to conduct our business and financial affairs so as to protect against political and economic risks applicable to operations in the various countries where we operate, but there can be no assurance we will be successful in protecting against such risks.

Recently, Indonesia has undergone political unrest. While the unrest in Indonesia has not had a material adverse effect on Gulf Indonesia's operations to date, no assurance can be made that the political unrest in Indonesia will not adversely affect Gulf Indonesia in the future.

Our private ownership of oil and gas properties in Canada differs distinctly from our ownership interests in foreign oil and gas properties. In some foreign countries in which we do and may do business in the future, the state generally retains ownership of the minerals and consequently retains control of (and in many cases participates in) the exploration and production of reserves. Accordingly, operations outside of Canada may be materially affected by host governments through royalty payments, export taxes and regulations, surcharges, value added taxes, production bonuses and other charges. In addition, changes in prices and costs of operations, timing of production and other factors may affect estimates of oil and gas reserve quantities and future net cash flows attributable to foreign properties in a manner materially different than such changes would affect estimates for Canadian properties. Agreements covering foreign oil and gas operations also frequently contain provisions obligating us to spend specified amounts on exploration and development or to perform certain operations, or forfeit all or a portion of the acreage subject to the contract.

Need to Replace Reserves

Our future oil and natural gas reserves and production, and therefore our cash flows, are highly dependent upon our success in exploiting our current reserve base and acquiring or discovering additional reserves. Without reserve additions through exploration, acquisition or development activities, our reserves and production will decline over time as reserves are produced. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient and external sources of capital become limited or unavailable, our ability to make the necessary capital investments to maintain and expand our oil and natural gas reserves will be impaired. In addition, we can give no assurance that we will be able to find and develop or acquire additional reserves to replace production at acceptable costs.

Differences in United States and Canadian Practices for Reporting Reserves and Production

We report our production and reserve quantities in accordance with Canadian practices. These practices are different than the practices used to report production and estimate reserves in reports and other materials filed with the SEC in the United States. The primary differences are summarized below:

- We follow the Canadian practice of reporting gross production and reserve volumes, which are prior to the deduction of royalty and similar payments. In the United States net production and reserve volumes are reported after deduction of these amounts.
- We follow the Canadian practice of escalating prices and costs when we estimate the quantities of our reserves. In the United States, reserve estimates are calculated using prices and costs held constant at amounts in effect at the date of the report.
- We use Canadian definitions of proved reserves, which are different than the definitions required by the SEC and used in the United States.
- We incorporate in the prospectus filings made with Canadian securities authorities that include estimates of probable reserves. The SEC generally prohibits the inclusion of estimates of probable reserves in filings made with the SEC.
- We report reserves attributable to our interest in Syncrude as proved reserves. These amounts are not deemed oil and gas reserves by the SEC.

As a consequence, our production volumes and reserve estimates may not be comparable to those made by United States companies subject to SEC reporting and disclosure requirements.

PLAN OF DISTRIBUTION

We may sell debt securities to the public:

- through agents;
- through underwriters or dealers; or
- directly to purchasers.

We will describe in a prospectus supplement the specific plan of distribution for a particular series of debt securities, including the name or names of any underwriters or agents, the purchase price or prices of the debt securities to be offered, the proceeds to Gulf Canada from the sale of the debt securities to be offered, any initial public offering price, any underwriting discount or commission and any discounts, concessions or commissions allowed or reallowed or paid by any underwriter to other dealers. Any initial public offering price and any discounts, concessions or commissions allowed or reallowed or paid to dealers may be changed from time to time.

We may distribute debt securities from time to time in one or more transactions:

- at a fixed price or prices, which may change;
- at market prices prevailing at the time of sale;
- at prices related to prevailing market prices at the time of sale; or
- at prices to be negotiated with purchasers.

Debt securities may be sold through agents or dealers designated by us. The agents will solicit offers by institutions to purchase the offered debt securities directly from Gulf Canada pursuant to contracts providing for payment and delivery on a future date. The applicable prospectus supplement will set forth the commission we will pay to the agents and any conditions to the contracts.

We may enter into agreements to indemnify underwriters, dealers and agents who participate in the distribution of debt securities against certain liabilities, including liabilities under the Securities Act of 1933, or to make contributions with respect to payments which the underwriters, dealers or agents may be required to make in respect of these liabilities. The underwriters, agents or dealers with whom we enter into agreements may be our customers or may perform other services for us in the ordinary course of business.

The debt securities that we will offer have no established trading market. We do not intend to list the debt securities on any securities exchange or automated quotation system; however, if we do list debt securities of a series on an exchange or quotation system, you will be informed in the applicable prospectus supplement. Some broker-dealers may buy and sell debt securities to make a market in the debt securities; however, they are not obligated to engage in these activities and may discontinue buying and selling debt securities at any time. We cannot assure you that there will be liquidity in the trading market for the debt securities.

CERTAIN INCOME TAX CONSIDERATIONS

The applicable prospectus supplement will describe the material Canadian and United States federal income tax consequences to an investor who is a citizen or resident of the United States of acquiring debt securities, including whether payments of principal, premium, if any, and interest will be subject to Canadian non-resident withholding tax and any consequences relating to debt securities payable in a currency other than U.S. dollars, issued at an original issue discount for United States federal income tax purposes or containing early redemption provisions or other special terms.

VALIDITY OF THE DEBT SECURITIES

Unless otherwise specified in the prospectus supplement relating to a series of debt securities, the validity of the debt securities will be passed upon for us by Bennett Jones LLP, Calgary, Alberta, and by Haynes and Boone, LLP, and for the underwriters by Vinson & Elkins L.L.P., Houston, Texas. As to all matters of Canadian federal and Alberta law, Haynes and Boone, LLP and Vinson & Elkins L.L.P. may rely upon the opinion of Bennett Jones LLP. As to all matters of United States federal and New York law, Bennett Jones LLP may rely upon the opinion of Haynes and Boone, LLP.

Mr. Walter B. O'Donoghue, one of our directors, is a partner of Bennett Jones LLP. The partners and associates of Bennett Jones LLP and Haynes and Boone, LLP as a group beneficially own, directly or indirectly, less than one percent of our outstanding securities.

Vinson & Elkins L.L.P. from time to time provides legal services to Gulf Canada not related to the debt securities.

EXPERTS

The consolidated financial statements of Gulf Canada as at December 31, 1999 and 1998 and for the three year period ended December 31, 1999 have been examined by Ernst & Young LLP, Chartered Accountants, Calgary, Alberta as set forth in their report included therein and incorporated herein by reference. The financial statements referred to above are incorporated herein by reference in reliance on such reports given on the authority of such firm as experts in auditing and accounting.

The consolidated financial statements of Crestar as at December 31, 1999 and 1998 and for the two year period ended December 31, 1999 have been examined by Arthur Andersen LLP, Chartered Accountants, Calgary, Alberta as set forth in their report included herein. The consolidated financial statements of Crestar are included herein in reliance on such report given on the authority of such firm as experts in auditing and accounting.

DOCUMENTS FILED AS PART OF THE U.S. REGISTRATION STATEMENT

The following documents have been filed with the SEC as part of the registration statement of which this prospectus is a part, insofar as called for by the SEC's Form F-9:

- the documents listed in the second paragraph under "Where You Can Find More Information" in this prospectus;
- directors' resolutions of Gulf Canada approving the prospectus and related matters;
- consents of accountants and counsel;
- powers of attorney from directors and officers of Gulf Canada;
- indenture relating to the debt securities;
- statement of eligibility of the trustee on Form T-1; and
- interest and asset coverages calculations.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces or territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of the prospectus supplement and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus supplement and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF GULF CANADA RESOURCES LIMITED

Dated: December 4, 2000

The foregoing, together with the documents incorporated herein by reference, as of the date of each supplement hereto, will constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and by such supplement as required by the securities laws of the Province of Alberta.

(Signed) RICHARD H. AUCHINLECK
President and Chief Executive Officer

(Signed) MARCEL COUTU
Senior Vice-President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) H. EARL JOUDRIE
Director

(Signed) DONALD F. MAZANKOWSKI
Director

APPENDIX "A"

GULF CANADA RESOURCES LIMITED

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

COMPILATION REPORT

To the Directors of
Gulf Canada Resources Limited

We have reviewed, as to compilation only, the accompanying pro forma consolidated statements of financial position of Gulf Canada Resources Limited as at September 30, 2000 and December 31, 1999 and the pro forma consolidated statements of earnings (loss) and cash provided by operating activities for the nine months ended September 30, 2000 and for the year ended December 31, 1999 prepared for inclusion in this prospectus dated December 4, 2000 relating to the sale and issue of debt securities. In our opinion, the pro forma consolidated financial statements have been properly compiled to give effect to the acquisition of Crestar Energy Inc. by Gulf Canada Resources Limited and the assumptions described in the notes thereto.

Calgary, Canada
December 4, 2000

(Signed) ERNST & YOUNG LLP
Chartered Accountants

COMMENTS FOR UNITED STATES READERS ON DIFFERENCES BETWEEN CANADIAN AND UNITED STATES REPORTING STANDARDS

The above opinion, provided solely pursuant to Canadian requirements, is expressed in accordance with standards of reporting generally accepted in Canada. Such standards contemplate the expression of an opinion with respect to the compilation of pro forma consolidated financial statements. United States standards do not provide for the expression of an opinion on the compilation of pro forma financial statements. To report in conformity with United States standards on the reasonableness of the pro forma adjustments and their application to the pro forma financial statements would require an examination or review which would be substantially greater in scope than the review as to compilation only that we have conducted. Consequently, under United States standards, we would be unable to express any opinion with respect to the compilation of the accompanying unaudited pro forma consolidated statements of financial position and the unaudited pro forma consolidated statements of earnings (loss) and cash provided by operating activities.

Calgary, Canada
December 4, 2000

(Signed) ERNST & YOUNG LLP
Chartered Accountants

GULF CANADA RESOURCES LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

For the nine months ended September 30, 2000
(Unaudited)

(millions of dollars, except per share amounts)	Gulf Canada	Crestar	Pro Forma Adjustments *Note 2*	Pro Forma Consolidated
Revenues				
Net oil and gas	$1,134	$ 650		$1,784
Other	25			25
	1,159	650		1,809
Expenses				
Operating—production	266	102		368
—other	12			12
Exploration	58		52	110
General and administration	30	23		53
Depreciation, depletion and amortization	414	154	115	683
Net gain on asset disposals	(79)			(79)
Finance charges, net	167	41	7	215
Income tax expense	178	153	(78)	253
Minority shareholders' interest	23			23
	1,069	473		1,638
Earnings for the period	$ 90	$ 177		$ 171
Earnings per share (Note 3)				
Basic	$ 0.18	$ 3.21		$ 0.27
Fully diluted	$ 0.18	$ 3.03		$ 0.27

See accompanying notes to pro forma consolidated financial statements.

GULF CANADA RESOURCES LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF CASH PROVIDED BY OPERATING ACTIVITIES

For the nine months ended September 30, 2000
(Unaudited)

(millions of dollars, except per share amounts)

	Gulf Canada	Crestar	Pro Forma Adjustments *Note 2*	Pro Forma Consolidated
OPERATING ACTIVITIES				
Earnings for the period	$ 90	$ 177	$ (96)	$ 171
Add items not requiring cash:				
Depreciation, depletion and amortization	414	154	115	683
Net gain on asset disposals	(79)			(79)
Amortization of deferred foreign exchange losses	12			12
Exploration expense	58		52	110
Future income taxes	152	133	(75)	210
Other	37	9		46
Cash flow from operations	$ 684	$ 473		$1,153
Cash flow from operations per share (Note 3)				
Basic	$ 1.87	$ 8.57		$ 2.10
Fully diluted	$ 1.79	$ 8.05		$ 2.02

See accompanying notes to pro forma consolidated financial statements.

GULF CANADA RESOURCES LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2000
(Unaudited)

(millions of dollars)	Gulf Canada	Crestar	Pro Forma Adjustments *Note 2*	Pro Forma Consolidated
ASSETS				
Current				
Cash and short-term investments	$ 154	$	$	$ 154
Cash restricted in use	182			182
Accounts receivable	368	139		507
Future income taxes	10			10
Other	109	3		112
	823	142		965
Investments, deferred charges and other assets	235	21	(7)	249
Property, plant and equipment	4,455	1,750	1,887	8,092
	$5,513	$1,913		$9,306
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Short-term debt	$	$ 4	$	$ 4
Accounts payable	316	136	50	502
Current portion of long-term debt	79	15		94
Current portion of other long-term liabilities	24			24
Other	95	16		111
	514	171		735
Long-term debt	1,974	632	139	2,745
Other long-term liabilities	274	62	(5)	331
Future income taxes	851	490	985	2,326
Minority interest	236			236
	3,849	1,355		6,373
Shareholders' equity				
Share capital				
Senior preference shares	577			577
Ordinary shares	1,755	488	781	3,024
Contributed surplus	35			35
Retained earnings (deficit)	(682)	70	(70)	(682)
Foreign currency translation adjustment	(21)			(21)
	1,664	558		2,933
	$5,513	$1,913		$9,306

See accompanying notes to pro forma consolidated financial statements.

GULF CANADA RESOURCES LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

For the year ended December 31, 1999

(millions of dollars, except per share amounts)	Gulf Canada	Crestar	Pro Forma Adjustments *Note 2*	Pro Forma Consolidated
Revenues				
Net oil and gas	$1,140	$ 529	$ (1)	$1,668
Other	45			45
	1,185	529		1,713
Expenses				
Operating—production	363	125		488
—other	27			27
Exploration	66		55	121
General and administration	34	26		60
Depreciation, depletion and amortization	451	209	164	824
Net loss on asset disposals	129			129
Pension settlement and restructuring charges	5			5
Finance charges, net	246	49	9	304
Income tax expense (recovery)	23	66	(102)	(13)
Minority shareholders' interest	13			13
	1,357	475		1,958
Earnings (loss) for the year	$ (172)	$ 54		$ (245)
Earnings (loss) per share (Note 3)				
Basic	$(0.58)	$0.94		$(0.50)
Fully diluted	$(0.58)	$0.92		$(0.50)

See accompanying notes to pro forma consolidated financial statements.

GULF CANADA RESOURCES LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF CASH PROVIDED BY OPERATING ACTIVITIES

For the year ended December 31, 1999

(millions of dollars, except per share amounts)	Gulf Canada	Crestar	Pro Forma Adjustments *Note 2*	Pro Forma Consolidated
OPERATING ACTIVITIES				
Earnings (loss) for the year	$(172)	$ 54	$(127)	$(245)
Add items not requiring cash:				
Depreciation, depletion and amortization	451	209	164	824
Net loss on asset disposals	129			129
Amortization of deferred foreign exchange losses	26	8		34
Exploration expense	66		55	121
Future income taxes	(5)	62	(98)	(41)
Other	22	(1)		21
Cash flow from operations	$ 517	$ 332		$ 843
Cash flow from operations per share (Note 3)				
Basic	$ 1.39	$5.76		$ 1.49
Fully diluted	$ 1.33	$5.47		$ 1.43

See accompanying notes to pro forma consolidated financial statements.

GULF CANADA RESOURCES LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 1999

(millions of dollars)	Gulf Canada	Crestar	Pro Forma Adjustments *Note 2*	Pro Forma Consolidated
ASSETS				
Current				
Cash and short-term investments	$ 161	$ 20		$ 181
Cash restricted in use	117			117
Accounts receivable	309	86		395
Future income taxes	10			10
Other	130			130
	727	106		833
Investments, deferred charges and other assets	189	9	6	204
Property, plant and equipment	4,519	1,457	2,134	8,110
	$5,435	$1,572		$9,147
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable	$ 353	$ 141	50	$ 544
Current portion of long-term debt	68	14		82
Current portion of other long-term liabilities	28			28
Other	134			134
	583	155		788
Long-term debt	2,077	531	155	2,763
Other long-term liabilities	380	58	(3)	435
Future income taxes	625	305	1,102	2,032
Minority interest	204			204
	3,869	1,049		6,222
Shareholders' equity				
Share capital				
Senior preference shares	577			577
Ordinary shares	1,721	523	836	3,080
Contributed surplus	35			35
Retained earnings (deficit)	(747)			(747)
Foreign currency translation adjustment	(20)			(20)
	1,566	523		2,925
	$5,435	$1,572		$9,147

See accompanying notes to pro forma consolidated financial statements.

GULF CANADA RESOURCES LIMITED

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Basis of presentation

On October 2, 2000 Gulf Canada Resources Limited ("Gulf") and Crestar Energy Inc. ("Crestar") entered into an agreement (the "Combination Agreement") pursuant to which Gulf, subject to certain conditions, agreed to make an offer to acquire all of the issued and outstanding shares of Crestar. On November 6, 2000 (the "Closing Date"), over 95 per cent of Crestar's shares on a fully diluted basis had been tendered in support of the transaction. Gulf has taken up and paid for all of the Crestar shares tendered to the Crestar offer and has acquired the remaining Crestar shares pursuant to a statutory right of compulsory acquisition.

The accompanying unaudited pro forma consolidated statements of financial position and unaudited pro forma consolidated statements of earnings (loss) and cash provided by operating activities ("pro forma consolidated financial statements") have been prepared by management based upon the audited consolidated financial statements as at and for the year ended December 31, 1999, and the unaudited interim consolidated financial statements as at and for the nine month period ended September 30, 2000 of Gulf and Crestar.

The pro forma consolidated financial statements have been prepared for inclusion in a prospectus dated, December 4, 2000 (the "prospectus") prepared by Gulf. In the opinion of Gulf management, these pro forma consolidated financial statements include all adjustments necessary for fair presentation in accordance with accounting principles generally accepted in Canada. The pro forma consolidated statements of financial position give effect to the transactions described in Note 2 as if they had occurred on the respective dates of the statements, while the pro forma consolidated statements of earnings (loss) and cash provided by operating activities give effect to these transactions as if they had occurred at the beginning of the periods. They have not been adjusted to give effect to the debt securities being offered in the prospectus. These pro forma consolidated financial statements may not be indicative of the financial position or results of operations or cash flows that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future.

These pro forma consolidated financial statements should be read in conjunction with the published financial statements of Gulf (which are incorporated herein by reference in this prospectus) and Crestar (which are included in this prospectus). Accounting policies used in the preparation of the pro forma financial statements are consistent with those used in the audited financial statements of Gulf prepared for the year ended December 31, 1999, except as discussed below.

For the consolidated financial statements of Crestar as at and for the year ended December 31, 1999, the company followed the deferral method of accounting for income taxes. Under this method Crestar made a full provision for income taxes deferred principally as a result of claiming capital cost allowance and exploration and development costs in excess of depletion, depreciation and amortization provided in the accounts. Effective January 1, 2000, Crestar adopted the liability method of accounting for income taxes as recommended by the Canadian Institute of Chartered Accountants retroactively applied, without restatement of prior periods. Under the liability method, future income taxes are recorded based on any differences between the accounting and income tax basis of assets and liabilities. For the pro forma consolidated financial statements as at and for the year ended December 31, 1999 and the nine months ended September 30, 2000, future income taxes have been determined using the liability method (See Note 2(b)) whereby the fair value of the Gulf shares issued has been allocated to

1. Basis of presentation (Continued)

the pre-tax fair values of the assets acquired and liabilities assumed. Future tax assets and liabilities were then recorded on the differences between these pre-tax values and the tax value of the related assets and liabilities.

2. Pro forma assumptions and adjustments

(a) The unaudited pro forma consolidated financial statements of Gulf have not been adjusted to give pro forma effect to any transactions occurring after December 31, 1998 other than the acquisition of Crestar. In this regard the unaudited pro forma consolidated financial statements of Gulf have not been adjusted to give any additional pro forma effect to the following transactions:

i) the disposition of Gulf Australia which was completed in the second quarter of fiscal 1999. Gulf's Statement of Earnings (Loss) for the year ended December 31, 1999 reflects a loss from operations of $5 million related to its Australian operations and a loss on disposal of the assets of $133 million before and after tax.

ii) the acquisition of CMS Oil & Gas Ecuador LDC by Crestar effective June 30, 2000 for $142 million. The pro forma effect of this acquisition on earnings for the year ended December 31, 1999 and for the nine months ended September 30, 2000 would have been an increase of approximately $6 million and $8 million, respectively.

(b) The pro forma consolidated financial statements reflecting the acquisition of Crestar Shares have been prepared on the basis that all Crestar shareholders receive a payment of $3.25 in cash and the issuance of 3.333 Ordinary Shares of Gulf for each Crestar Share acquired. The pro forma statement of financial position as at September 30, 2000 reflects a cash payment of $179 million and the issuance of 183,675,161 Ordinary Shares of Gulf with an estimated fair value of $1.267 billion (based on the closing price of Ordinary Shares on November 6, 2000) to acquire all of the issued and outstanding common shares of Crestar as at September 30, 2000. The pro forma statement of financial position as at December 31, 1999 reflects a cash payment of $192 million and the issuance of 197,008,097 Ordinary Shares of Gulf with an estimated fair value of $1.359 billion (based on the closing price of Ordinary Shares on November 6, 2000) to acquire the Crestar Shares issued and outstanding as at that date. On September 30, 2000 and December 31, 1999 there were 55,108,059 and 59,108,340 Crestar Shares issued and outstanding, respectively. The issued and outstanding Crestar Shares include the conversion of 2,289,468 and 2,134,724 Crestar options on December 31, 1999 and September 30, 2000, respectively.

The actual consideration Gulf paid on closing of the acquisition of Crestar was cash of $179 million and 183,667,995 Ordinary Shares, based on the 55,105,909 Crestar Shares issued and outstanding on the closing date, including the conversion of 2,277,718 Crestar options.

The Combination Agreement, provides for certain elections by Crestar shareholders including the exchange of Crestar Share purchase options for Gulf Ordinary Share purchase options. As of the Closing Date, 1,790,000 Crestar Share purchase options had been converted to 5,966,070 Gulf Ordinary Share purchase options exercisable at prices ranging from $2.20 to

2. Pro forma assumptions and adjustments (Continued)

$8.26. The Gulf Ordinary Share purchase options are exercisable until December 20, 2000 at which time they expire (the "Expiry Date"). As the price range of Gulf's Ordinary Shares between the date of the prospectus and the Expiry Date is not determinable, the pro forma financial statements have not been adjusted to give effect to the conversion of outstanding Gulf Ordinary Share purchase options. If the price of Gulf's Ordinary Shares remains at the price as of the Closing Date, Gulf would receive an additional $17 million cash and would issue an additional 3,923,331 Ordinary Shares upon conversion of a maximum of 1,177,117 Gulf Ordinary Share purchase options.

The acquisition of Crestar has been accounted for using the purchase method, as follows:

	September 30, 2000	December 31, 1999
	(millions of dollars)	
Calculation of Purchase Price:		
Fair value of Gulf shares issued	$ 1,267	$ 1,359
Cash paid	179	192
Cash received from options	(40)	(37)
Transaction costs	50	50
Net cost of acquisition	1,456	1,564
Book value of net assets acquired	(558)	(523)
Purchase price discrepancy	$ 898	$ 1,041

The allocation of the purchase price discrepancy is as follows:

	September 30, 2000	December 31, 1999
	(millions of dollars)	
Allocation of Purchase Price:		
Property, plant and equipment	$ 902	$ 1,032
Investments, deferred charges and other assets	(7)	6
Other long-term liabilities	3	3
	$ 898	$ 1,041

(c) Royalties have been adjusted to reflect a reduction in the Alberta Royalty Tax Credit of $0.4 million for the nine month period ended September 30, 2000 and $1.4 million for the year ended December 31, 1999 due to Gulf's requirement to share the maximum annual limit with its subsidiaries.

(d) Depreciation, depletion and amortization of the Crestar assets has been adjusted to reflect the pro forma fair value of property, plant and equipment at the assumed acquisition date. Crestar follows the "full cost" method of accounting for oil and gas activities. Upon consolidation with Gulf, its financial statements would normally be adjusted to conform to the "successful efforts" method followed by Gulf. Exploration expense, depreciation, depletion

2. Pro forma assumptions and adjustments (Continued)

and amortization and income tax have been adjusted to reflect the estimated effect of conforming the Crestar accounting policy to Gulf's in this respect.

(e) The cash portion of the Offer to acquire Crestar Shares and the costs associated with the transaction will be financed through additional bank debt, net of cash received from options. Interest expense has been adjusted by $7 million and $9 million, respectively, to reflect the additional debt using an interest rate of 6.4 per cent per annum for the nine month period ended September 30, 2000 and 6.0 per cent per annum for the year ended December 31, 1999.

(f) Future income tax liability and property, plant and equipment have been increased by $985 million on September 30, 2000 and $1,102 million on December 31, 1999 to reflect the tax effect of the difference between the fair market value of the assets and liabilities acquired and their associated tax values.

(g) Income tax expense has been adjusted to reflect the impact of the above items that affect the current period earnings, following the liability method of accounting for income taxes.

3. The pro forma earnings per ordinary share and cash flow from operations per ordinary share have been calculated using the weighted average number of Gulf shares outstanding during the nine months ended September 30, 2000 and the year ended December 31, 1999, assuming the additional Ordinary Shares arising from the acquisition of Crestar were issued at the beginning of each period, respectively.

APPENDIX "B"

CRESTAR ENERGY INC.

CONSOLIDATED FINANCIAL STATEMENTS

CRESTAR ENERGY INC.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(millions of Canadian dollars)	September 30, 2000	December 31, 1999
ASSETS		
Current assets		
Cash and short-term investments	$ —	$ 20.4
Accounts receivable	138.3	85.8
Other	3.3	0.5
	141.6	106.7
Property, plant and equipment	1,750.0	1,456.9
Other	21.4	8.8
	$1,913.0	$1,572.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank indebtedness	$ 3.6	$ —
Accounts payable	136.1	140.6
Current portion of long-term debt	15.1	14.4
Income taxes payable	15.8	0.2
	170.6	155.2
Long-term debt	632.6	530.8
Future income taxes	489.7	305.2
Deferred credits and other obligations	62.2	57.8
	1,355.1	1,049.0
Shareholders' equity		
Share capital	487.7	523.4
Retained earnings	70.2	—
	557.9	523.4
	$1,913.0	$1,572.4

CRESTAR ENERGY INC.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS (DEFICIT)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
(millions of Canadian dollars, except per share data)				
Revenues				
Petroleum and natural gas	$327.1	$167.0	$819.1	$453.6
Less: royalties	64.7	31.7	168.7	83.1
	262.4	135.3	650.4	370.5
Expenses				
Operating	35.2	28.2	102.0	90.8
General and administrative	7.0	6.2	23.3	19.4
Interest	12.4	9.4	32.8	30.3
Foreign exchange	6.0	1.4	7.5	4.2
Depletion and depreciation	53.2	49.7	154.2	156.2
Capital taxes	1.8	1.2	5.1	3.4
	115.6	96.1	324.9	304.3
Income before income taxes	146.8	39.2	325.5	66.2
Income taxes (recovery)				
Current	4.7	(0.3)	14.7	(0.7)
Future	60.5	20.0	133.4	36.8
	65.2	19.7	148.1	36.1
Net income	81.6	19.5	177.4	30.1
Retained earnings (deficit), beginning of period	27.7	(34.6)	—	(44.4)
Accounting policy changes(1)	—	—	(52.6)	—
Redemption of common shares	(39.1)	—	(54.6)	(0.8)
Retained earnings (deficit), end of period	$ 70.2	$(15.1)	$ 70.2	$(15.1)
Net income per share				
Basic	$ 1.49	$ 0.34	$ 3.21	$ 0.52
Fully diluted	$ 1.42	$ 0.32	$ 3.03	$ 0.51

Note:

(1) Effective January 1, 2000, Crestar adopted the Canadian Institute of Chartered Accountants new accounting recommendations with respect to income taxes and future employee benefits. The new recommendations were applied retroactively without restatement of prior year financial statements. The application of the new liability method for income taxes resulted in a charge to retained earnings of $51.1 million (largely as a result of prior years' corporate acquisitions) with a corresponding increase in the Company's liability for future income taxes. As a result of the adoption of the new accounting recommendations relating to future employee benefits, a charge of $1.5 million was recorded against retained earnings with the corresponding liability reflected in deferred credits and other obligations.

CRESTAR ENERGY INC.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOW

(millions of Canadian dollars, except per share data)	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Operating activities				
Net income	$ 81.6	$ 19.5	$177.4	$ 30.1
Add items not involving cash:				
Depletion and depreciation	53.2	49.7	154.2	156.2
Future income taxes	60.5	20.0	133.4	36.8
Other	6.5	1.0	8.2	2.9
Funds from operations	201.8	90.2	473.2	226.0
Changes in non-cash working capital	(14.7)	(15.6)	(35.8)	(14.1)
Cash flow from operating activities	187.1	74.6	437.4	211.9
Financing activities				
Net issue (repayment) of long-term debt	(60.6)	(2.7)	82.7	(100.9)
Proceeds from exercise of stock options	3.2	3.3	6.2	5.1
Redemption of common shares	(66.2)	—	(96.5)	(5.1)
	(123.6)	0.6	(7.6)	(100.9)
Cash available for investing activities	63.5	75.2	429.8	111.0
Investing activities				
Expenditures on property, plant and equipment	108.2	78.0	321.5	135.0
Acquisition of CMS Oil and Gas Ecuador LDC	(0.8)	—	140.9	—
Proceeds from disposition of property, plant and equipment	(4.7)	(1.3)	(21.9)	(61.8)
Expenditures on abandonment and restoration	1.2	1.1	3.1	1.6
Changes in non-cash working capital	(3.0)	(29.2)	8.6	(21.5)
Increase in other assets	1.9	—	1.6	0.8
	102.8	48.6	453.8	54.1
Increase (decrease) in cash(1)	(39.3)	26.6	(24.0)	56.9
Cash, beginning of period	35.7	12.6	20.4	(17.7)
Cash, end of period	$ (3.6)	$ 39.2	$ (3.6)	$ 39.2
Funds from operations per share				
Basic	$ 3.71	$ 1.57	$ 8.57	$ 3.92
Fully diluted	$ 3.50	$ 1.48	$ 8.05	$ 3.72

Note:

(1) Cash is comprised of cash, short-term investments and short-term bank indebtedness.

AUDITORS' REPORT

To the Shareholders of Crestar Energy Inc.:

We have audited the consolidated balance sheet of Crestar Energy Inc. as at December 31, 1999 and 1998 and the consolidated statements of operations and retained earnings (deficit) and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flow for the years then ended in accordance with generally accepted accounting principles in Canada.

Calgary, Alberta
February 24, 2000

(Signed) ARTHUR ANDERSEN LLP
Chartered Accountants

CRESTAR ENERGY INC.

CONSOLIDATED BALANCE SHEET

(millions of dollars)	As at December 31, 1999	1998
ASSETS		
Current assets		
Cash and short-term investments	$ 20.4	$ —
Accounts receivable	86.3	75.1
	106.7	75.1
Property, plant and equipment (Note 4)	1,456.9	1,474.8
Other (Note 2)	8.8	44.9
	$1,572.4	$1,594.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	$ —	$ 17.7
Current portion of long-term debt (Note 5)	14.4	2.7
Accounts payable	140.8	94.2
	155.2	114.6
Long-term debt (Note 5)	530.8	688.0
Deferred income taxes	305.2	243.0
Deferred credits and other obligations (Note 6)	57.8	62.8
	1,049.0	1,108.4
Shareholders' equity (Note 7)	523.4	486.4
	$1,572.4	$1,594.8

The accompanying notes are an integral part of this consolidated balance sheet.

(Signed) HARRY G. SCHAEFER
Director and Chairman of the Board

(Signed) ARTHUR H. WILLMS
Director and Chairman of the Audit Committee

CRESTAR ENERGY INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

	For the Year Ended December 31,	
	1999	**1998**
(millions of dollars, except per share data)		
Revenues		
Petroleum and natural gas	$ 652.0	$ 522.7
Less royalties	123.0	89.8
	529.0	432.9
Expenses		
Operating	125.0	137.5
General and administrative	26.4	28.2
Financing costs (Note 2)	49.3	52.0
Depletion and depreciation (Note 4)	208.6	464.0
Capital taxes	4.4	2.7
	413.7	684.4
Income (loss) before income taxes	115.3	(251.5)
Income taxes (recovery) (Note 3)		
Current	(1.0)	(3.0)
Deferred	62.2	(47.9)
	61.2	(50.9)
Net income (loss)	54.1	(200.6)
Retained earnings (deficit), beginning of year	(44.4)	156.2
Redemption of common shares (Note 7)	(9.7)	—
Retained earnings (deficit), end of year	$ —	$ (44.4)
Net income (loss) per share (Note 7)		
Basic	0.94	(3.51)
Fully diluted	0.92	(3.51)

The accompanying notes are an integral part of these consolidated financial statements.

CRESTAR ENERGY INC.

CONSOLIDATED STATEMENT OF CASH FLOW

(millions of dollars, except per share data)	For the Year Ended December 31, 1999	For the Year Ended December 31, 1998
Operating activities		
Net income (loss)	$ 54.1	$(200.6)
Add (deduct) items not involving cash:		
Depletion and depreciation	208.6	464.0
Deferred income taxes	62.2	(47.9)
Foreign exchange amortization on long-term debt	7.6	5.4
Other	(0.9)	(1.0)
Funds from operations	331.6	219.9
Changes in non-cash working capital (Note 8)	(0.6)	(2.4)
Cash flow from operating activities	331.0	217.5
Financing activities		
Net repayment of long-term debt	(117.5)	(88.3)
Issue of common shares	5.3	115.8
Redemption of common shares	(22.4)	—
Increase in other liabilities	—	0.1
	(134.6)	27.6
Cash available for investing activities	196.4	245.1
Investing activities		
Expenditures on property, plant and equipment	244.1	306.7
Proceeds from disposition of property, plant and equipment	(64.6)	(54.8)
Expenditures on abandonment and restoration	14.6	3.9
Changes in non-cash working capital (Note 8)	(37.5)	7.7
Increase (decrease) in other assets	1.7	(1.3)
	158.3	262.2
Increase (decrease) in cash and short-term investments	38.1	(17.1)
Bank indebtedness, beginning of year	(17.7)	(0.6)
Cash and short-term investments (bank indebtedness), end of year	$ 20.4	$ (17.7)
Funds from operations per share		
Basic	5.76	3.85
Fully diluted	5.47	3.69

The accompanying notes are an integral part of these consolidated financial statements.

CRESTAR ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998
(tabular amounts in millions of dollars, except as indicated)

1. Summary of Significant Accounting Policies

The consolidated financial statements of Crestar Energy Inc. ("Crestar" or "the Company") have been prepared in accordance with accounting principles generally accepted in Canada. In the process of preparing these financial statements, management has made certain estimates and assumptions that affect the recorded amount of assets and liabilities at year-end and revenues and expenses for the year. These estimates and assumptions are based on management's best information and judgement and, in the near term, are not expected to materially change the recorded amounts of assets and liabilities, revenues and expenses.

(a) ***Principles of Consolidation***

The consolidated financial statements include the accounts of Crestar and its subsidiary companies. A substantial part of Crestar's oil and gas exploration and development activities is conducted through joint venture, partnership and similar arrangements. The financial statements reflect only Crestar's proportionate interest in these activities.

(b) ***Property, Plant and Equipment***

(i) Capitalized costs

Crestar follows the full cost method of accounting, under which all costs related to the exploration for and development of oil and gas reserves are capitalized into a single cost centre for Canada, which is the only country in which the Company is active. Capitalized costs include property acquisitions, lease rentals on non-producing properties, geological and geophysical costs, costs associated with drilling both productive and non-productive wells and the costs of support equipment and facilities. Overhead costs directly related to exploration and development activities are capitalized. Proceeds from property dispositions are accounted for as a reduction of capitalized costs, with no gain or loss being recognized unless such dispositions would alter the depletion and depreciation rate by 20 percent or more.

(ii) Depletion and depreciation

Depletion of oil and gas properties and depreciation of production equipment are calculated using the unit of production method which is based on estimated gross proven reserves. Relative volumes of petroleum and natural gas reserves and production are converted to equivalent units of crude oil based on their energy content. Capitalized costs related to major plants and facilities are depreciated on a straight-line basis over their estimated useful lives.

(iii) Ceiling test

The carrying amount of property, plant and equipment, net of deferred income taxes and accrued site restoration costs, is limited to the sum of the following:

(a) The estimated future undiscounted net revenues from proven reserves, less future development costs associated with proven undeveloped reserves; and

1. Summary of Significant Accounting Policies (Continued)

(b) The lower of cost, less any impairment, or estimated market value, of unproved properties; less

(c) Estimated future site restoration costs, production related general and administrative costs, financing costs and income and capital taxes.

(iv) Future site restoration costs

The estimated future cost of abandoning and restoring facilities and well sites is amortized over the remaining life of the assets and reserves.

The reserve estimates and calculations in (ii), (iii) and (iv) above have been prepared by management and are based on product prices, costs and regulations in effect at year-end. Independent engineers have evaluated approximately 21 percent of the estimated proven reserves with the balance being evaluated internally.

(c) *Foreign Currency Translation*

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Exchange gains and losses are included in income, except for unrealized exchange gains or losses arising on translation of long-term debt, which are deferred and amortized over the remaining term of the debt.

(d) *Income Taxes*

The Company makes full provision for income taxes deferred as the result of claiming depreciation, exploration, development and other costs for income tax purposes which differ from the related amounts charged to earnings.

(e) *Stock-Based Compensation Plans*

The Company has a stock option plan (see Note 7) and stock purchases are an available option under the employee savings plan. No compensation expense is recognized when stock options are issued to employees or directors. Any consideration received from employees or directors on the exercise of stock options or purchase of stock under the employee savings plan is credited to share capital. The Company matches employee contributions to the savings plan and these cash payments are recorded as compensation expense.

(f) *Financial Instruments*

The Company uses financial instruments to manage its exposure to commodity price and interest rate fluctuations. Gains and losses on commodity price hedges are included in income at the time of the sale of the related production. Amounts received or paid with respect to interest rate swaps are included as part of interest expense over the term of the swaps.

(tabular amounts in millions of dollars, except as indicated)

2. Financing Costs

	1999	1998
Interest expense on long-term debt	**39.8**	46.2
Foreign exchange amortization	**7.6**	5.4
Other	**1.9**	0.4
	49.3	52.0

Other assets at December 31, 1999 include unamortized deferred foreign exchange losses of $5.4 million (1998—$41.0 million) related to the translation of US dollar denominated long-term debt.

3. Income Taxes

The provision for income taxes differs from the result that would be expected by applying the combined Canadian federal and provincial statutory income tax rate to income before income taxes. The principal reasons for the difference are as follows:

	1999	1998
Statutory income tax rate	**44.75%**	44.45%
Expected income tax provision (recovery)	**51.6**	(111.8)
Increase (reduction) resulting from:		
Non deductible crown royalties and other provincial payments	**46.2**	33.8
Resource allowance	**(46.5)**	(35.5)
Non deductible depletion	**5.4**	58.9
Provincial royalty rebates	**(1.4)**	(1.4)
Non deductible capital taxes	**2.0**	1.9
Foreign exchange losses related to long-term debt	**3.4**	2.4
Other	**0.5**	0.8
Actual income tax provision (recovery)	**61.2**	(50.9)

4. Property, Plant and Equipment

Substantially all property, plant and equipment is comprised of petroleum and natural gas assets.

	1999	1998
Property, plant and equipment, at cost	**2,904.1**	2,721.8
Accumulated depletion and depreciation	**(1,447.2)**	(1,247.0)
Net book value	**1,456.9**	1,474.8

During 1999, the Company capitalized $11.5 million (1998—$11.0 million) of general and administrative expenses.

(tabular amounts in millions of dollars, except as indicated)

4. Property, Plant and Equipment (Continued)

At December 31, 1998, as a result of applying the ceiling test provisions of the Canadian Institute of Chartered Accountants Full Cost Guideline, the Company reduced the carrying value of its oil and gas assets by $200.0 million ($155.9 million after tax). This reduction was recorded as additional depletion and depreciation.

5. Long-Term Debt

	US$ Amounts	1999	1998
Bank facilities *(i)*			
Senior revolving term loan			
Canadian dollar advances		**—**	98.2
US dollar advances	68.5	**98.9**	122.5
Medium-term notes *(ii)*			
6.45% due October 1, 2007		**100.0**	100.0
Senior notes (unsecured)			
8.72% due February 23, 2000–2005	60.0	**86.6**	91.8
7.56% due July 24, 2002	20.0	**28.9**	30.6
7.89% due July 24, 2006	40.0	**57.7**	61.2
6.56% due January 27, 2003	52.0	**75.0**	79.6
6.69% due January 26, 2005	20.0	**28.9**	30.6
6.72% due January 26, 2006	48.0	**69.2**	73.5
6.5% convertible debentures *(iii)*		**—**	2.7
		545.2	690.7
Less: current portion	10.0	**14.4**	2.7
		530.8	688.0

(i) The unsecured senior revolving term loan matures June 30, 2005, unless extended. The loan provides for equal semi-annual repayments in each of the last five years of the term. Should repayments be required, the first semi-annual repayment would be due on January 1, 2001. No amounts have been included in the five year repayment schedule in (v) below as the Company intends to apply for an extension at the next renewal date. The Company may borrow the $370 million authorized amount of the loan in either Canadian or US dollars.

Interest rate margins under the bank facilities vary with the applicable public ratings and can range from 50 to 120 basis points above LIBOR or bankers' acceptance rates.

The Company also has a demand operating line of credit of $50 million. At December 31, 1999, no funds were drawn on this facility (December 31, 1998—$13.5 million).

(ii) On October 12, 1999, the Company filed a prospectus that allows for the issuance of an additional $300 million of medium-term notes over a two-year period from the date of the prospectus.

(iii) The Company redeemed the debentures on April 1, 1999.

(tabular amounts in millions of dollars, except as indicated)

5. Long-Term Debt (Continued)

(iv) Through the issue of debt or interest rate swaps, the Company has established fixed rates on a portion of its debt for the next five years as follows:

	Cdn.$ Amounts		US$ Amounts	
Year	Amount	Rate	Amount	Rate
2000	100.0	6.45%	216.0	6.95%
2001	100.0	6.45%	201.6	6.96%
2002	100.0	6.45%	175.1	6.92%
2003	100.0	6.45%	143.8	6.86%
2004	100.0	6.45%	129.4	6.86%

(v) Over the next five years the Company is required to make the following principal repayments related to the above facilities:

2000 — US$ 10.0 million
2001 — US$ 10.0 million
2002 — US$ 30.0 million
2003 — US$ 62.0 million
2004 — US$ 10.0 million

6. Deferred Credits and Other Obligations

	1999	1998
Future site restoration	52.3	55.8
Deferred gain on interest rate swaps	5.5	7.0
	57.8	62.8

7. Shareholders' Equity

	1999	1998
Share capital	523.4	530.8
Retained earnings (deficit)	—	(44.4)
	523.4	486.4

(tabular amounts in millions of dollars, except as indicated)

7. Shareholders' Equity (Continued)

The authorized share capital of the Company is comprised of an unlimited number of common shares; an unlimited number of senior and junior preferred shares; and 100 class B preferred shares.

Common Shares Issued	Number	Amount
Balance, January 1, 1998	52,435,616	412.9
Employee stock options exercised *(i)*	280,210	3.8
Equity issue *(ii)*	5,250,000	116.8
Share issue costs *(ii)*	—	(2.7)
Balance, December 31, 1998	57,965,826	530.8
Employee stock options exercised *(i)*	393,190	5.3
Shares redeemed *(iii)*	(1,385,400)	(12.7)
Balance, December 31, 1999	56,973,616	523.4

(i) The Company has reserved 5,750,000 common shares for issuance under a fixed stock option plan to directors, officers and other employees at prices equal to the market value of the shares on the date of the grant. The stock options vest over a four year period and expire twenty five months after vesting. A summary of the status of the Company's stock option plan as of December 31, 1999 and changes during the year is presented below:

	1999		1998	
	Options	Weighted Average Exercise Price Per Share ($)	Options	Weighted Average Exercise Price Per Share ($)
Outstanding, January 1	4,101,990	19.75	2,685,050	22.13
Granted	539,855	12.22	2,202,500	16.70
Exercised	(393,190)	13.49	(280,210)	13.86
Forfeited	(444,575)	20.88	(505,350)	22.55
Outstanding, December 31	3,804,080	19.20	4,101,990	19.75
Exercisable, December 31	1,332,807	21.47	919,949	20.54

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices Per Share ($)	Number of Outstanding Stock Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share ($)	Number of Exercisable Stock Options	Weighted Average Exercise Price Per Share ($)
10.20—15.00	1,415,750	4.6 years	11.37	332,625	12.28
15.95—19.75	26,400	4.2 years	17.99	9,700	17.31
20.40—24.10	1,387,780	3.9 years	21.84	492,169	22.27
25.05—30.40	974,150	3.4 years	26.84	498,313	26.88
10.20—30.40	3,804,080	4.0 years	19.20	1,332,807	21.47

(tabular amounts in millions of dollars, except as indicated)

7. Shareholders' Equity (Continued)

At December 31, 1999, the 3,804,080 outstanding stock options had a weighted average remaining contractual life of 4.0 years.

(ii) On February 18, 1998, the Company issued 5,250,000 common shares for gross proceeds of $116.8 million. Share issue costs associated with the issue amounted to $2.7 million, net of deferred taxes of $2.1 million.

(iii) On October 12, 1999, Crestar filed a normal course issuer bid with the Toronto Stock Exchange to acquire up to 3,000,000 of its outstanding common shares until October 14, 2000.

As of December 31, 1999, the Company had acquired 913,400 common shares for a total consideration of $17.3 million. In addition, under a previous normal course issuer bid that expired on September 13, 1999, the Company acquired 472,000 common shares during 1999 for a total consideration of $5.1 million. The book value of the common shares acquired was $12.7 million, the $9.7 million consideration in excess of book value was charged to retained earnings.

(iv) The weighted average number of common shares outstanding for the basic and fully diluted per share calculations for the year ended December 31, 1999 was 57,610,163 (1998–57,166,571) and 61,257,103 (1998–60,403,482) respectively. The fully diluted per share calculations for the year ended December 31, 1999 include imputed interest savings, net of tax, of $2.0 million (1998–$1.6 million) on the proceeds from the potential exercise of stock options.

8. Changes in Non-Cash Working Capital

	1999	1998
Operating Activities		
Accounts receivable	(13.4)	7.6
Accounts payable	12.8	(10.0)
	(0.6)	(2.4)
Investment Activities		
Accounts receivable	(3.2)	0.6
Accounts payable	(34.3)	7.1
	(37.5)	7.7

The following cash payments have been included in the determination of net income:

	1999	1998
Interest paid	43.3	43.6
Taxes paid	3.8	(0.4)

9. Financial Instruments

The following financial contracts were outstanding at December 31, 1999:

(i) Interest Rates

The Company has entered into interest rate swap agreements to fix the rate on $10 million of debt for a remaining average term of 0.9 years. In addition, contracts were entered into to float the rate of interest on US$82 million of debt for a remaining average term of 4.3 years. At December 31, 1999, had these contracts been settled, the Company would have made a payment of $2.2 million.

(ii) Commodities

All oil and gas financial contracts entered into during the year had been settled by December 31, 1999.

The fair value of long-term debt at December 31, 1999 is estimated to be $525.6 million based on estimated replacement values. The fair value of other financial instruments, including short-term investments, accounts receivable and accounts payable and bank indebtedness approximates their carrying values due to their short-term to maturity.