

GULFSTREAM RESOURCES CANADA LIMITED

MATERIAL CHANGE REPORT

**Section 118(1) of the *Securities Act* (Alberta)
Section 85(1) of the *Securities Act* (British Columbia)
Section 76(2) of the *Securities Act* (Newfoundland)
Section 81(2) of the *Securities Act* (Nova Scotia)
Section 75(2) of the *Securities Act* (Ontario)
Section 84(1) of *The Securities Act, 1988* (Saskatchewan)¹**

Item 1: Reporting Issuer

Gulfstream Resources Canada Limited
Suite 3465, 855 – 2nd Street S.W.
Calgary, Alberta
T2P 4J8

Item 2: Date of Material Change

June 24, 2001

Item 3: Press Release(s)

Gulfstream Resources Canada Limited ("Gulfstream") issued a press release on June 25, 2001 (through Canada NewsWire) at Calgary, Alberta, which release disclosed the nature and substance of the material change. A copy of the press release is attached hereto as Schedule "A".

Item 4: Summary of Material Changes

Gulfstream and Anadarko Petroleum Corporation ("Anadarko") have reached an agreement pursuant to which Anadarko has agreed to offer to purchase (directly or indirectly) all of the outstanding common shares ("Gulfstream Shares") of Gulfstream (the "Offer").

Item 5: Full Description of Material Change

On June 24, 2001, Gulfstream and Anadarko entered into a pre-acquisition agreement ("Pre-Acquisition Agreement") pursuant to which Anadarko agreed to make the Offer. The Pre-Acquisition Agreement provides that the Offer is subject to those conditions set forth in Schedule "A" to the Pre-Acquisition Agreement. A copy of the Pre-Acquisition Agreement is attached hereto as Schedule "B".

Item 6: Reliance on Section 75(3) of the *Securities Act* (Ontario) or Equivalent Provisions

Not applicable.

Item 7: Omitted Information

Not applicable.

¹ Reference is made herein to Form 27 under the *Securities Regulations* (Alberta), *Securities Regulations* (British Columbia), *Securities Regulations* (Nova Scotia) and *Securities Regulations* (Ontario), Form 26A under the *Securities Regulations* (Newfoundland), and Form 25 under the *Securities Regulations* (Saskatchewan).

Item 8: Senior Officers

For further information, please contact Gary J. Beagle, Vice President, Finance, Chief Financial Officer and Corporate Secretary, at the above mentioned address or at (403) 264-8288.

Item 9: Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Calgary, Alberta this 4th day of July, 2001.

GULFSTREAM RESOURCES CANADA LIMITED

Per: "Gary J. Beagle"
Gary J. Beagle
Vice President, Finance,
Chief Financial Officer and
Corporate Secretary

SCHEDULE "A"

ANADARKO PETROLEUM CORPORATION AGREES TO ACQUIRE GULFSTREAM RESOURCES CANADA LIMITED FOR CDN. \$2.65 PER SHARE IN CASH

CALGARY, AB, June 25 /CNW/ - Gulfstream Resources Canada Limited (TSE:GUR) announced today that it has entered into a definitive agreement with Anadarko Petroleum Corporation (NYSE:APC) under which Anadarko will make an offer to pay Cdn. \$2.65 per share for all of the common shares of Gulfstream. The total value of the acquisition is approximately Cdn. \$208 million.

Gulfstream's board of directors has unanimously approved the Acquisition Agreement. Directors and officers of Gulfstream, holding approximately 5.8% of the Gulfstream common shares, have agreed to tender their shares to Anadarko.

The terms of the agreement reached by Gulfstream and Anadarko are set forth in a Pre-acquisition Agreement. Anadarko intends to mail its offer on or prior to July 6, 2001. The offer is expected to remain open for 35 days from the date of mailing. Gulfstream has agreed to discontinue its efforts to seek and consider strategic alternatives, close its data rooms, not solicit other proposals and to provide Anadarko with the right to match competing offers. Gulfstream will waive the application of its shareholder rights plan to Anadarko's offer.

Gulfstream has agreed to pay a break fee to Anadarko of Cdn. \$8 million if the offer is not completed. Anadarko expects to close the transaction in the third quarter of this year and would fund the acquisition from available cash on hand.

The agreement with Anadarko, selected over proposals from other parties, represents the culmination of Gulfstream's comprehensive process to identify the best opportunity to maximize shareholder value, initiated on April 15, 2001 subsequent to the unsolicited offer by ROC Oil Company Limited on April 2, 2001.

The acquisition cost of \$2.65 per share represents a premium of 62% over the average closing price for Gulfstream shares over the last 30 days and is a substantial premium over the April 2 ROC offer of \$1.10 per share. Over the past year, Gulfstream shares achieved a high of \$2.02 per share in June 2000 and a low of \$0.60 per share in mid-March 2001.

CIBC World Markets Inc. is acting as the financial advisor to Gulfstream and has provided an opinion to Gulfstream's board of directors that the consideration to be received pursuant to the Anadarko offer is fair, from a financial point of view, to the shareholders of Gulfstream.

Angus McKee, Chairman of Gulfstream, commented, "Anadarko's offer is the result of many weeks of effort and a very competitive process. Its advantages over the ROC offer are obvious. It is a very clean deal. It allows an immediate cash return with a significant premium for our shareholders. And it is a fair offer that weighs values, risks and opportunities."

"I know that Anadarko has been impressed with the quality of Gulfstream's assets and people - these have always been our greatest strengths. We have been equally impressed with Anadarko's pragmatic approach to business," added Mr. McKee.

Gulfstream is an independent natural gas and oil exploration and production company active primarily in Qatar, Oman and Madagascar, with offices in Calgary and Cyprus.

Gulfstream shareholders are advised to await the formal offer from Anadarko and not to tender to the ROC offer. The ROC offer expires on July 10, 2001 and any Gulfstream shareholders who have already tendered to such offer are advised to withdraw their shares so that they may tender their shares to the Anadarko offer.

Gulfstream's news release, corporate profile, the latest investor presentation and other information are available at the Gulfstream website www.gur.com. Gulfstream's news releases may also be accessed electronically through Canada NewsWire at www.newswire.ca.

This release contains forward-looking statements that are subject to risk factors associated with the oil and gas business. Gulfstream believes that the expectations reflected in these statements are regional, but may be affected by a variety of factors including, but not limited to, price fluctuations, currency fluctuations, drilling and production results, imprecision of reserve estimates, loss of market, industry competition, environmental risks, political risks and capital restrictions.

-30-

For further information: PLEASE CONTACT GULFSTREAM RESOURCES CANADA LIMITED: Gary J. Beagle, Vice President, Finance, Chief Financial Officer and Secretary to the Board, (403) 264-8288, website: www.gur.com

SCHEDULE "B"

ANADARKO PETROLEUM CORPORATION
(hereinafter, the "Offeror")

and

GULFSTREAM RESOURCES CANADA LIMITED
(hereinafter, "Gulfstream")

PRE-ACQUISITION AGREEMENT

June 24, 2001

TABLE OF CONTENTS

Page

**ARTICLE I
INTERPRETATION**

1.1	Definitions.....	1
1.2	Singular, Plural, etc.	5
1.3	Deemed Currency	5
1.4	Headings, etc.	5
1.5	Date for any Action	5
1.6	Governing Law.....	6
1.7	Attornment.....	6
1.8	Incorporation of Schedules.....	6

**ARTICLE II
THE OFFER**

2.1	The Offer.....	6
2.2	Gulfstream Directors' Circular.....	9
2.3	Offer Documents.....	9
2.4	Outstanding Share Options	10
2.5	Rights Plan.....	11

**ARTICLE III
PUBLICITY AND SOLICITATION**

3.1	Publicity.....	12
-----	----------------	----

**ARTICLE IV
TRANSACTIONS FOLLOWING COMPLETION OF THE OFFER**

4.1	Second Stage Transaction	12
4.2	Information Circular, etc.	12

**ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE OFFEROR**

5.1	Organization and Qualification	13
5.2	Authority Relative to this Agreement	13
5.3	No Violations.....	13
5.4	Availability of Funds.....	14
5.5	Knowledge	14

**ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF GULFSTREAM**

6.1	Organization and Qualification	15
6.2	Authority Relative to this Agreement	15
6.3	No Violations.....	15
6.4	Capitalization	17
6.5	No Material Adverse Change	17
6.6	No Undisclosed Material Liabilities	17
6.7	Personnel Obligations	18
6.8	Financial Advisory and Other Fees	18
6.9	Reports	18
6.10	Subsidiaries	19
6.11	Compliance with Law.....	19
6.12	Employment Agreements	19
6.13	Employee Benefit Plans.....	19
6.14	Data and Information	19

6.15	Books and Records	20
6.16	Litigation, etc.	20
6.17	Environmental	20
6.18	Tax Matters	21
6.19	Confidentiality Agreements	22
6.20	Insurance	22
6.21	Engineering Report	22
6.22	Material Agreements	23

**ARTICLE VII
CONDUCT OF BUSINESS**

7.1	Conduct of Business by Gulfstream	23
7.2	Conduct of Business by the Offeror	25
7.3	Integration of Operations	26

**ARTICLE VIII
COVENANTS OF GULFSTREAM**

8.1	Notice of Material Change	26
8.2	Non-Completion Fee	26
8.3	No Solicitation	28
8.4	Gulfstream Board of Directors	30

**ARTICLE IX
COVENANTS OF THE OFFEROR**

9.1	Representations and Warranties	30
9.2	Employment Agreements	20
9.3	Change of Name of Gulfstream and Subsidiaries	31
9.4	Other Covenants	31

**ARTICLE X
MUTUAL COVENANTS**

10.1	Other Filings	31
10.2	Additional Agreements	31

**ARTICLE XI
TERMINATION, AMENDMENT AND WAIVER**

11.1	Termination	32
11.2	Effect of Termination	33
11.3	Amendment	33
11.4	Waiver	33

**ARTICLE XII
GENERAL PROVISIONS**

12.1	Notices	34
12.2	Miscellaneous	35
12.3	Indemnification, etc.	36
12.4	Assignment	37
12.5	Expenses	37
12.6	Severability	37
12.7	Offeror Guarantee	37
12.8	Counterpart Execution	38

SCHEDULE A	-	CONDITIONS TO THE OFFER
SCHEDULE B	-	OPTIONS OUTSTANDING
SCHEDULE C	-	FORM OF PRE-TENDER AGREEMENT
SCHEDULE D	-	RETENTION BONUS PLAN

SCHEDULE E	-	EXCEPTIONS
SCHEDULE F	-	MATERIAL AGREEMENTS
SCHEDULE G	-	SUBSIDIARIES

PRE-ACQUISITION AGREEMENT

THIS PRE-ACQUISITION AGREEMENT (the "Agreement") is made and entered into as of this 24th day of June, 2001, by and between Anadarko Petroleum Corporation, a corporation formed under the laws of the State of Delaware with its head and principal office in the City of Houston, in the State of Texas (the "Offeror") and Gulfstream Resources Canada Limited, a corporation duly continued under and governed by the laws of the Province of Alberta with its office in the City of Calgary, in the Province of Alberta ("Gulfstream"). Except as otherwise set forth in this Agreement, capitalized terms shall have the meanings set forth in Article 1.

BACKGROUND:

1. The Offeror has agreed to make a take-over bid for Gulfstream by offering to purchase all of the issued and outstanding Gulfstream Shares;
2. The board of directors of Gulfstream has unanimously determined to recommend acceptance of the Offeror's offer to the securityholders of Gulfstream, to cooperate with the Offeror and to take all reasonable action to support the Offeror's offer and to waive the application of the Rights Plan to the Offeror's offer; and
3. The board of directors of Gulfstream has determined that it would be in the best interests of Gulfstream and its securityholders to enter into this Agreement;

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained and other good and valuable consideration (the receipt and adequacy whereof are hereby acknowledged), the parties hereto agree as follows.

ARTICLE I **INTERPRETATION**

1.1 Definitions

In this Agreement, unless there is something in the subject matter or context inconsistent therewith the following words and terms will have the indicated meanings:

"Act" means the *Business Corporations Act* (Alberta) as the same has been and may hereafter from time to time be amended;

"affiliate" has the meaning set forth in the Act;

"Agreement", "this Agreement", "herein", "hereto", and "hereof" and similar expressions refer to this Agreement, as the same may be amended or supplemented from time to time and, where applicable, to the appropriate Schedules hereto;

"Business Day" means any day excepting a Saturday or Sunday or a day recognized as a holiday in Calgary, Alberta;

"CIBC Engagement Agreement" means a certain Engagement Agreement dated April 9, 2001 between CIBC World Markets Inc. and Gulfstream;

"Corporate Laws" means all applicable corporate laws, including the Act;

"Data Room" means the data rooms established by Gulfstream in Calgary, Alberta in connection with its efforts to solicit proposals for the acquisition of Gulfstream;

"diluted basis" means, with respect to the number of outstanding Gulfstream Shares at any time, such number of outstanding Gulfstream Shares calculated assuming that all Gulfstream Options are exercised, common shares issuable pursuant to the Retention Bonus Plan and common shares issuable pursuant to the CIBC Engagement Agreement would have been issued as fully paid and non-assessable, but without giving effect to potential dilution attributable to the Gulfstream Rights;

"Disclosed Information" means all information disclosed in writing to the Offeror (i) pursuant to the Offeror's Confidentiality Agreement with Gulfstream or (ii) made available to the Offeror (or its representatives) in the Data Room or as otherwise set forth in this Agreement, including the Schedules hereto;

"Effective Time" means the time that the Offeror shall have acquired ownership of and paid for at least the Minimum Required Shares pursuant to the terms of the Offer;

"Expiry Time" means the Initial Expiry Time unless the Offer has been extended, in which case it means the expiry time of the Offer, as extended from time to time;

"Government Authority" means any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or person in question;

"Gulfstream" means Gulfstream Resources Canada Limited;

"Gulfstream Governing Documents" means the Certificate and Articles of Continuance and By-laws of Gulfstream;

"Gulfstream Options" means the outstanding options to acquire Gulfstream Shares under the Share Option Plan;

"Gulfstream Rights" means the rights attached to the Gulfstream Shares, which rights were distributed pursuant to the Rights Plan;

"Gulfstream Shares" means, where the context requires, issued and outstanding common shares in the share capital of Gulfstream together with the associated Gulfstream Rights and common shares of Gulfstream issuable (i) under the Gulfstream Options, (ii) the Retention Bonus Plan and (iii) pursuant to the CIBC Engagement Agreement;

"HSR Act" means the Hart-Scott-Rodino Anti Trust Improvements Act of 1976 (United States);

"in writing" means written information including documents, files, records, books and other materials made available, delivered or produced to the Offeror by or on behalf of Gulfstream in the course of the review undertaken by the Offeror in respect of Gulfstream;

"Initial Expiry Time" means 5:00 p.m. (Calgary time) on the first Business Day which falls after the 35th day following the commencement of the Offer in accordance with Securities Laws;

"Material Adverse Change" means any change in the financial condition, operations, assets, liabilities, or business of Gulfstream and its subsidiaries, considered as a whole which is materially adverse to the business of Gulfstream and its subsidiaries considered as a whole; other than a change:

- (i) which arises out of or in connection with (x) a matter that has been publicly disclosed or otherwise disclosed in writing to the Offeror by Gulfstream or its representatives prior to the date of this Agreement or (y) the Disclosed Information;
- (ii) resulting from conditions affecting the oil and gas industry as a whole;
- (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or elsewhere; or

- (iv) resulting from the drilling, completion or testing of any wells establishing that any such well or prospect is not commercially viable or is less successful than anticipated by Gulfstream or the Offeror;

"Material Adverse Effect" means any event, change or effect that is or would reasonably be expected to be materially adverse to the financial condition, operations, assets, liabilities, or business of Gulfstream and its subsidiaries, considered as a whole; provided that a Material Adverse Effect shall not include an adverse effect resulting from a change:

- (i) which arises out of or in connection with (x) a matter that has been publicly disclosed or otherwise disclosed in writing to the Offeror by Gulfstream or its representatives prior to the date of this Agreement or (y) the Disclosed Information;
- (ii) resulting from conditions affecting the oil and gas industry as a whole;
- (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or elsewhere; or
- (iv) resulting from the drilling, completion or testing of any wells establishing that any such well or prospect is not commercially viable or is less successful than anticipated by Gulfstream or the Offeror;

"Minimum Condition" means the condition set forth in paragraph (a) of Schedule A;

"Minimum Required Shares" means at least that number of the outstanding Gulfstream Shares required pursuant to the Minimum Condition unless the Offeror shall have waived the Minimum Condition, in which case "Minimum Required Shares" means that number of the outstanding Gulfstream Shares which the Offeror takes up on the Take-up Date, provided that such number of Gulfstream Shares shall not be less than 50.1% of the issued and outstanding Gulfstream Shares on a diluted basis;

"Offer" has the meaning set forth in Section 2.1(a);

"Offer Documents" has the meaning set forth in Section 2.1(a);

"Offeror" means Anadarko Petroleum Corporation or a direct or indirect wholly owned subsidiary as contemplated by Sections 2.1(a) and 12.4;

"Personnel Obligations" means any obligations or liabilities of Gulfstream or any of its subsidiaries to pay any amount to its or their officers, directors, employees and consultants, other than for salary, bonuses under its or their existing bonus arrangements and directors' fees in the ordinary course, in each case in amounts consistent with historic practices and obligations or liabilities in respect of insurance or indemnification contemplated by this Agreement or arising in the ordinary and usual course of business and, without limiting the generality of the foregoing, Personnel Obligations shall include the obligations of Gulfstream or any of its subsidiaries to directors, officers, employees and consultants:

- (i) for payments on or in connection with any change in control of Gulfstream pursuant to any change in control agreements, policies or arrangements; and
- (ii) for special incentive bonus payments and commitments as previously disclosed in writing to the Offeror in the Disclosed Information; and
- (iii) for supplemental retention payments as more particularly set out in Schedule D attached hereto;

"Offeror's Confidentiality Agreement" means the confidentiality agreement dated May 14, 2001 between the Offeror and Gulfstream;

"Retention Bonus Plan" means the Plan approved by the board of directors, as more particularly set out in Schedule D attached hereto;

"Rights Plan" means the Shareholder Rights Plan Agreement dated as of July 10, 1996 between Gulfstream and R-M Trust Company (now CIBC Mellon Trust Company);

"SEC" means the United States Securities and Exchange Commission;

"Second Stage Transaction" has the meaning set forth in Section 4.1;

"Securities Authorities" means the appropriate securities commissions or similar regulatory authorities in Canada and each of the provinces and territories thereof and in the United States and each of the states thereof;

"Securities Laws" has the meaning set forth in Section 2.3(a);

"Share Option Plan" means the amended and restated share option plan of Gulfstream dated February 2, 1999;

"subsidiary" has the meaning set forth in the Act;

"Superior Proposal" has the meaning set forth in Section 8.3(i)(B);

"Take-over Proposal" means a proposal or offer by a third party (other than by the Offeror), whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of all or substantially all of the assets of Gulfstream or to acquire in any manner, directly or indirectly, beneficial ownership or control or direction over more than 33% of the outstanding voting shares of Gulfstream whether by an arrangement, amalgamation, a merger, consolidation or other business combination, by means of a sale of shares, sale of assets, tender offer or exchange offer or similar transaction involving Gulfstream including without limitation any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire beneficial ownership of all or substantially all of the assets of Gulfstream or to acquire in any manner, directly or indirectly, more than 33% of the outstanding voting shares of Gulfstream (other than the business combination transaction contemplated by this Agreement); and

"Take-up Date" means the date that the Offeror first takes up and acquires Gulfstream Shares pursuant to the Offer.

1.2 Singular, Plural, etc.

Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

1.3 Deemed Currency

In the absence of a specific designation of any currency any undescribed dollar amount herein shall be deemed to refer to Canadian dollars.

1.4 Headings, etc.

The division of this Agreement into Articles and Sections, the provision of a table of contents hereto and the insertion of the recitals and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement or in the Schedules to Articles, Sections and Schedules refer to Articles, Sections and Schedules of and to this Agreement or of the Schedules in which such reference is made.

1.5 Date for any Action

In the event that any date on which any action is required to be taken hereunder by any of the parties hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.6 Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

1.7 Attornment

The parties hereby irrevocably and unconditionally consent to and submit to the courts of the Province of Alberta for any actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by single registered mail to the addresses of the parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against either party in such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Alberta and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

1.8 Incorporation of Schedules

Schedules A to G attached hereto and described below shall, for all purposes hereof, form an integral part of this Agreement.

Schedule A	Conditions to the Offer
Schedule B	Options Outstanding
Schedule C	Form of Pre-Tender Agreement
Schedule D	Retention Bonus Plan
Schedule E	Exceptions
Schedule F	Material Agreements
Schedule G	Subsidiaries

ARTICLE II **THE OFFER**

2.1 The Offer

- (a) Subject to the terms and conditions of this Agreement, the Offeror shall, as soon as possible and in any event, before 5:00 p.m. (Calgary time) on Friday, July 6, 2001, commence an offer, in accordance with Securities Laws, to purchase all of the outstanding Gulfstream Shares, for a cash consideration of Cdn. \$2.65 for each Gulfstream Share, which offer shall be made in accordance with Securities Laws and Corporate Laws and be subject only to the conditions set forth in Schedule A hereto (the "Offer", which term shall include any amendments to, or extensions of, such Offer, including, without limitation, increasing the consideration, removing or waiving any condition, as permitted, or extending the date by which Gulfstream Shares may be tendered). The documentation relating to the Offer (the "Offer Documents") shall be prepared in accordance with Securities Laws and Corporate Laws. The Offeror shall, on a confidential basis, provide Gulfstream with a draft of the Offer Documents prior to mailing for Gulfstream's review and comment, with the intent that Gulfstream will have a reasonable opportunity to review and provide comments in respect of the Offer Documents. It is understood that the content of the Offer Documents will be determined by the Offeror, provided that such Offer Documents will not contain any information or statements that are inconsistent with matters that are specifically addressed or provided for in this Agreement or as otherwise contemplated hereby.

The Offeror may make the Offer itself or through a direct or indirect wholly-owned subsidiary. In the event that an Offeror subsidiary makes or participates in the making of the Offer, the term "the Offeror" as used herein shall include such subsidiary, other than in Article V, entitled "Representations and Warranties of the Offeror" wherein the term "the Offeror" shall not include such subsidiary, but the Offeror shall continue to be liable to Gulfstream, as principal obligor, for

such subsidiary's obligations hereunder and for any default by such subsidiary in the performance of its obligations hereunder.

- (b) The Offer shall expire at the Initial Expiry Time, except that the Offer may be extended, subject to Section 2.1(c), at the sole discretion of the Offeror, if the conditions thereto set forth in Schedule A are not satisfied on the date and time at which the Offer expires or if the Offeror shall have taken up the Minimum Required Shares under the Offer. If the Offeror acquires the Minimum Required Shares pursuant to the Offer but the number of Gulfstream Shares acquired at such time is less than the Minimum Condition, it will publicly announce such fact and extend the Offer for the maximum period permitted by Securities Laws.

Upon the satisfaction or waiver of the conditions set forth in Schedule A hereto, the Offeror shall within one (1) Business Day, accept for payment and pay for all Gulfstream Shares validly tendered (and not withdrawn) pursuant to the Offer. Each of the Offeror and Gulfstream shall use all commercially reasonable efforts to consummate the Offer, subject to the terms and conditions thereof.

Notwithstanding the foregoing, if the conditions set out in Schedule A have not been satisfied or waived on the Initial Expiry Time, the Offeror shall extend the Offer for such period of time, not to exceed 60 days following the Initial Expiry Time, as is necessary to satisfy or fulfill such conditions, but only if the Offeror has made a *bona fide* determination, acting reasonably, that there is a reasonable prospect that such conditions may be satisfied within such 60-day period.

- (c) It is agreed that the Offeror may, in its sole discretion:
 - (i) waive in whole or in part, any term or condition of the Offer at any time and from time to time, provided that if the Offeror takes up and pays for any Gulfstream Shares it shall acquire not less than the Minimum Required Shares; and
 - (ii) amend any term or condition of the Offer, provided that the Offeror shall not, without the prior written consent of Gulfstream, acting reasonably:
 - (A) change the number of Gulfstream Shares for which the Offer is made;
 - (B) decrease the value or change the form of the consideration to be paid for each Gulfstream Share, provided that the Offeror shall be permitted to increase the consideration to be paid for each Gulfstream Share, without the consent of Gulfstream; or
 - (C) modify or impose additional conditions to the Offer in a manner that is, in the opinion of Gulfstream, acting reasonably, materially adverse to the holders of Gulfstream Shares (it being understood that an extension of the Offer in the circumstances described in the final paragraph of Section 2.1(b) above or a permitted waiver of any condition thereto will not be considered to be adverse to the holders of Gulfstream Shares).
- (d) The Offeror will instruct the depository under the Offer to advise Gulfstream from time to time, not less frequently than daily commencing five Business Days prior to the Initial Expiry Time until the day immediately prior to the Expiry Time and thereafter on an hourly basis, if requested by Gulfstream and in such manner as Gulfstream may reasonably request, as to the number of Gulfstream Shares that have been tendered (and not withdrawn) under the Offer.
- (e) The obligation of the Offeror to make the Offer as set forth in Section 2.1(a) shall be conditional upon the following:
 - (i) no Material Adverse Change with respect to Gulfstream shall have occurred and no event shall have occurred or circumstance shall exist that would make it impossible or

impracticable, in the opinion of the Offeror, acting reasonably, to satisfy one or more of the conditions of the Offer described in Schedule A;

- (ii) as at the date that the Offer is to be made, no representation or warranty by Gulfstream contained in this Agreement shall be materially inaccurate and no material breach by Gulfstream of, or material non-compliance by Gulfstream with, any covenant or obligation contained in this Agreement shall have occurred;
- (iii) the board of directors of Gulfstream shall not have withdrawn, modified or changed any of its recommendations, approvals, resolutions, or determinations referred to in Section 2.2(a); and
- (iv) the execution and delivery to the Offeror, concurrently with the execution of this Agreement, of the Pre-Tender Agreements (the "Pre-tender Agreements") referred to in Section 2.2(c) substantially in the form attached as Schedule C.

The foregoing conditions set forth in this Section 2.1(e) are for the exclusive benefit of the Offeror and may be waived by the Offeror, in whole or in part, in its sole discretion, at any time and from time to time without prejudice to any other rights it may have.

2.2 Gulfstream Directors' Circular

- (a) Gulfstream hereby consents to the Offer as set forth in Section 2.1 and represents that its board of directors has (i) unanimously approved the Offer and this Agreement, (ii) after receiving the advice of its financial advisor, has determined that the consideration to be received pursuant to the Offer is fair, from a financial point of view, to the holders of Gulfstream Shares, and (iii) after receiving the advice of its financial advisor, has unanimously determined that the entering into of this Agreement and the Offer are in the best interests of Gulfstream and the holders of Gulfstream Shares and has resolved to recommend acceptance of the Offer by the holders of Gulfstream Shares.
- (b) Gulfstream shall prepare and make available for mailing, sufficient copies of a directors' circular prepared in accordance with Securities Laws and Corporate Laws. The directors' circular will set forth (among other things) the recommendation of the board of directors of Gulfstream as described in Section 2.2(a). Gulfstream shall provide the Offeror with a draft copy of the directors' circular prior to its finalization and in reasonably sufficient time for the Offeror's review and comment, and the parties shall use all commercially reasonable efforts to cause the directors' circular to be mailed together with the Offer Documents without any delay in the time the Offer Documents would otherwise be mailed.
- (c) After reasonable inquiry, Gulfstream has been advised that each of the directors and senior officers of Gulfstream intends to tender his Gulfstream Shares under the Offer and to exercise his options or otherwise dispose of his options to acquire Gulfstream Shares or as contemplated by Section 2.4. Gulfstream hereby delivers, concurrently with the execution of this Agreement, a Pre-tender Agreement duly signed by each director and officer, substantially in the form attached as Schedule C. The directors' circular shall disclose the execution and delivery of such Pre-tender Agreements and the agreement of the directors and senior officers to tender their respective Gulfstream Shares pursuant to the Offer.
- (d) Gulfstream represents that it has obtained written advice from CIBC World Markets Inc. that the consideration to be offered to Gulfstream's shareholders pursuant to the Offer is fair from a financial point of view to holders of Gulfstream Shares. The fairness opinion of CIBC World Markets Inc. will be attached to or referred to in the directors' circular referred to in Section 2.2(b).

2.3 Offer Documents

- (a) The Offeror shall file or cause to be filed with the appropriate Securities Authorities an Offer to Purchase and Take-over Bid Circular and the related Letter of Transmittal and Notice of Guaranteed Delivery pursuant to which the Offer will be made (collectively, the "Offer

Documents"). The Offer Documents, when filed with Securities Authorities and when mailed to holders of Gulfstream Shares, shall contain (or shall be amended in a timely manner to contain) all information which is required to be included therein in accordance with the Act and any applicable Canadian provincial securities laws, United States securities laws, state securities or "blue-sky" laws of the states of the United States and any other applicable law (collectively, the "Securities Laws") and all Corporate Laws.

- (b) Gulfstream agrees to provide such assistance as the Offeror or its agents may reasonably request in connection with communicating the Offer and any amendments and supplements thereto to the holders of Gulfstream Shares and to such other persons as are entitled to receive the Offer under Securities Laws, including providing lists and updated or supplemental lists of the shareholders of Gulfstream and of the holders of Gulfstream Options and other securities convertible into or exchangeable for, or other rights (other than the Gulfstream Rights) to acquire, Gulfstream Shares and mailing labels with respect to all such security holders as soon as possible after the date of this Agreement but in any event no later than the close of business in Calgary on two Business Days prior to the date of mailing the Offer and updates or supplements thereto from time to time as may be reasonably requested by the Offeror

2.4 Outstanding Share Options

- (a) Subject to the receipt of any necessary regulatory approvals, those persons holding options pursuant to the Share Option Plan and who may do so under Securities Laws and in accordance with the Share Option Plan (or pursuant to this Section 2.4) shall be entitled to exercise all of their options and tender all Gulfstream Shares issued in connection therewith under the Offer. The Gulfstream board of directors shall not, prior to completion of the Offer, grant additional options pursuant to the Share Option Plan. It is agreed by the Offeror that all Gulfstream Options that are tendered to Gulfstream for exercise, conditional on the Offeror taking up Gulfstream Shares under the Offer ("Conditional Option Exercise"), shall be deemed to have been exercised concurrently with the take-up of Gulfstream Shares by the Offeror under the Offer. Furthermore, the Offeror shall accept as validly tendered under the Offer as of the Take-up Date all Gulfstream Shares which are to be issued pursuant to the Conditional Option Exercise, provided that the holders of such options indicate that such Gulfstream Shares are tendered pursuant to the Offer.
- (b) Gulfstream and the Offeror agree that to the extent holders of Gulfstream Options do not exercise their Gulfstream Options and tender the Gulfstream Shares they receive upon such exercise, Gulfstream may agree with all such holders of Gulfstream Options that, in lieu of such persons exercising their Gulfstream Options, Gulfstream or the Offeror will pay to such persons the difference between the exercise price of their Gulfstream Options and the purchase price for the Gulfstream Shares under the Offer (if the exercise price is less than the purchase price) immediately after the Expiry Time of the Offer in exchange for the termination of their Gulfstream Options and provided that such holders agree to surrender their remaining unexercised options to Gulfstream for cancellation for no consideration effective immediately after the Take-up Date.
- (c) Gulfstream and the Offeror agree that with respect to holders of Gulfstream Options with exercise prices equal to or greater than Cdn. \$2.65 per Gulfstream Share, Gulfstream may, on behalf of the Offeror, pay such person \$0.10 for each Gulfstream Option to purchase one (1) Gulfstream Share in exchange for the cancellation of such Gulfstream Option immediately after the Expiry Time, provided that a holder of Gulfstream Options receiving payment under this paragraph (c) shall not also be entitled to payment for the same Gulfstream Options under paragraph (b) above.
- (d) Gulfstream agrees to use its reasonable commercial efforts:
 - (i) to encourage and facilitate all persons holding Gulfstream Options to either:
 - (A) exercise those options and tender all Gulfstream Shares issued in connection therewith to the Offer; or
 - (B) agree with Gulfstream to the payment described in Section 2.4(b) and terminate their rights to exercise any of those Gulfstream Options;

prior to the Expiry Time of the Offer; and

- (ii) to cause the vesting of option entitlements under the Share Option Plan to accelerate prior to or concurrently with the completion of the Offer, such that all in-the-money or out-of-the-money outstanding Gulfstream Options shall be exercisable and fully vested prior to the Expiry Time.

2.5 Rights Plan

- (a) Gulfstream represents to the Offeror that the board of directors of Gulfstream has taken all action necessary to (i) render the Gulfstream Rights inapplicable to this Agreement, the Offer and the Second Stage Transaction and (ii) ensure that (A) neither the Offeror nor any of its affiliates or associates is or will become an "Acquiring Person" (as defined in the Rights Plan) by reason of this Agreement, the Offer and the Second Stage Transaction, (B) the "Separation Time" (as defined in the Rights Plan) shall not occur by reason of this Agreement, the Offer and the Second Stage Transaction and (C) the Gulfstream Rights shall expire immediately prior to the Expiry Time.
- (b) Gulfstream covenants and agrees and represents that its board of directors has resolved not to waive the application of the Rights Plan or to redeem any of the outstanding Gulfstream Rights or take any other action which would limit the application of the Rights Plan to any transaction other than a Superior Proposal (as defined in Section 8.3(i)(B)) that is in the form of a take-over bid circular made to all holders of Gulfstream Shares.
- (c) Gulfstream shall take all action requested in writing by the Offeror in order to render the Gulfstream Rights inapplicable to the Offer and the Second Stage Transaction. Except as approved in writing by the Offeror, Gulfstream shall not (i) amend the Gulfstream Rights Plan, (ii) redeem the Gulfstream Rights or (iii) take any action with respect to, or make any determination under, the Gulfstream Rights Plan.

ARTICLE III **PUBLICITY AND SOLICITATION**

3.1 Publicity

So long as this Agreement is in effect, each of the Offeror and Gulfstream shall advise, consult and cooperate with the other party prior to issuing, or permitting any of its directors, officers, employees or agents to issue, any press release or other written public or private statement to the press with respect to this Agreement and the transactions contemplated hereby from the date hereof until the Expiry Time. The Offeror and Gulfstream shall not issue any such press release or make any such written public or private statement prior to such consultation, except as may be required by applicable law or by obligations pursuant to any listing agreement with a stock exchange and only after using its reasonable efforts to consult with the other party taking into account the time constraints to which it is subject as a result of such law or obligation.

ARTICLE IV **TRANSACTIONS FOLLOWING COMPLETION OF THE OFFER**

4.1 Second Stage Transaction

If the Offeror takes up and pays for Gulfstream Shares pursuant to the terms of the Offer, and thereby acquires at least the Minimum Required Shares, the Offeror agrees to use its reasonable commercial efforts to acquire, and Gulfstream agrees to use its reasonable commercial efforts to assist the Offeror in acquiring, the balance of the Gulfstream Shares, as soon as is practicable, by way of a compulsory acquisition, statutory arrangement, amalgamation, merger, reorganization, consolidation, recapitalization or other type of acquisition transaction or transactions ("Second Stage Transaction") carried out for a consideration per Gulfstream Share which:

- (i) consists of the same kind of consideration paid pursuant to the Offer, and
- (ii) is not less than the consideration paid pursuant to the Offer.

Nothing herein shall be construed to prevent the Offeror from acquiring directly or indirectly, additional Gulfstream Shares in the open market or in privately negotiated transactions or otherwise, in accordance with Securities Laws and the Act (including by way of compulsory acquisition) following completion of the Offer.

4.2 Information Circular, etc.

Without limiting Section 4.1, Gulfstream agrees that if the Offeror is required to effect a Second Stage Transaction which requires approval of Gulfstream's shareholders in a meeting of Gulfstream's shareholders, Gulfstream shall take all action necessary in accordance with Securities Laws, other applicable Canadian laws, the Gulfstream Governing Documents and the requirements of The Toronto Stock Exchange or any other regulatory authority having jurisdiction to duly call, give notice of, convene and hold a meeting of its shareholders as promptly as practicable to consider and vote upon the action proposed by the Offeror. In the event of such a meeting or meetings, Gulfstream shall use all commercially reasonable efforts to mail to its shareholders an Information Circular with respect to the meeting of Gulfstream's shareholders. The term "Information Circular" shall mean such proxy or other required informational statement or circular, as the case may be, and all related materials at the time required to be mailed to Gulfstream's shareholders and all amendments or supplements thereto, if any. The Offeror and Gulfstream each shall use all commercially reasonable efforts to obtain and furnish the information required to be included in any Information Circular. The information provided and to be provided by the Offeror and Gulfstream for use in the Information Circular, on both the date the Information Circular is first mailed to Gulfstream's shareholders and on the date any such meeting is held, shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading and will comply in all material respects with all applicable requirements of law. The Offeror and Gulfstream each agree to correct promptly any such information provided by it for use in any Information Circular which shall have become false or misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE OFFEROR

The Offeror hereby represents and warrants to Gulfstream as follows and acknowledges that Gulfstream is relying upon these representations and warranties in connection with the entering into of this Agreement:

5.1 Organization and Qualification

The Offeror is a corporation duly incorporated and organized and validly existing under the laws of its jurisdiction of incorporation and has the requisite corporate power and authority to carry on its business as it is now being conducted.

5.2 Authority Relative to this Agreement

The Offeror has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by the Offeror of the transactions contemplated hereby have been duly authorized by the Offeror's board of directors and no other corporate proceedings on its part are or will be necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Offeror and constitutes a legal, valid and binding obligation of the Offeror enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity.

5.3 No Violations

- (a) Neither the execution and delivery of this Agreement by the Offeror, the consummation by it of the transactions contemplated hereby nor compliance by it with any of the provisions hereof will:

- (i) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Offeror or any of its subsidiaries under any of the terms, conditions or provisions of (x) the charter or bylaws of the Offeror or (y) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which the Offeror or any of its subsidiaries is a party or to which any of them, or any of their properties or assets, may be subject or by which the Offeror or any of its subsidiaries is bound; or
- (ii) subject to compliance with the statutes and regulations referred to in Section 5.3(b), violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to the Offeror or any of its subsidiaries;

(except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens, security interests, charges or encumbrances which, or any consents, approvals or notices which if not given or received, would not have any material adverse effect on the business, operations or financial condition of the Offeror and its subsidiaries taken as a whole or on the ability of the Offeror to consummate the transactions contemplated hereby); or

- (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a material adverse effect on the business, operations and financial condition of the Offeror and its subsidiaries taken as a whole.

(b) Other than pursuant to or in compliance with the provisions of Corporate Laws, Securities Laws, the rules of The Toronto Stock Exchange and any pre-merger notification statutes,

- (i) there is no legal impediment to the consummation of the business combination transaction contemplated by this Agreement by the Offeror; and
- (ii) except for filings or registrations which, if not made, or for authorizations, consents or approvals, which, if not received, would not have a material adverse effect on the ability of the Offeror to consummate the business combination transaction contemplated hereby, no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by the Offeror in connection with the making or the consummation of the Offer other than (i) compliance with the *Investment Canada Act* (Canada), (ii) the filing with the SEC of (A) the Offer Documents and (B) such reports under Section(s) 13 and 16 of the *Securities Exchange Act of 1934* (the "Exchange Act"), as may be required in connection with this Agreement, the Offer and the Second Stage Transaction, and (iii) the filing with the Securities Authorities in Canada of the Offer Documents.

5.4 Availability of Funds

The aggregate cash consideration payable pursuant to the Offer is available to the Offeror so that the Offeror is in a position to pay for all Gulfstream Shares tendered pursuant to the Offer in accordance with the terms of the Offer and to pay all related fees and expenses.

5.5 Knowledge

As of the date hereof, the Offeror has no actual knowledge of any misrepresentation, breach or non-performance by Gulfstream of any representation, warranty or covenant contained in this Agreement which would have or would be reasonably likely to have a Material Adverse Effect.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF GULFSTREAM

Gulfstream hereby represents and warrants (and, as applicable, covenants) to the Offeror as follows and acknowledges that the Offeror is relying upon the material aspects of these representations and warranties in connection with the entering into of this Agreement:

6.1 Organization and Qualification

Each of Gulfstream and its subsidiaries is a corporation or company duly incorporated and organized and validly subsisting under the laws of its jurisdiction of incorporation and has the requisite corporate power and capacity to own its properties and carry on its business as now owned and being conducted. Each of Gulfstream and its subsidiaries is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect.

6.2 Authority Relative to this Agreement

Gulfstream has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by Gulfstream's board of directors, and no other corporate proceedings on the part of Gulfstream are necessary to authorize this Agreement (except for obtaining shareholder approval in respect of any Second Stage Transaction) and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Gulfstream and constitutes a legal, valid and binding obligation of Gulfstream enforceable against Gulfstream in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity.

6.3 No Violations

(a) Except as set forth in the Disclosed Information, neither the execution and delivery of this Agreement by Gulfstream, the consummation by it of the transactions contemplated hereby nor compliance by Gulfstream with any of the provisions hereof will:

- (i) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Gulfstream or any of its subsidiaries under, any of the terms, conditions or provisions of (x) the Gulfstream Governing Documents or (y) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Gulfstream or any of its subsidiaries is a party or to which Gulfstream or any of its subsidiaries, or any of their respective properties or assets, may be subject or by which Gulfstream or any of its subsidiaries is bound, other than the secured loan made in favor of Gulfstream by Barclays Bank plc;
- (ii) subject to compliance with the statutes and regulations referred to in Section 6.3(b), violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Gulfstream or any of its subsidiaries; or

(except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect)

- (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect.

- (b) Other than pursuant to or in compliance with the provisions of Corporate Laws, Securities Laws, the rules of The Toronto Stock Exchange and any pre-merger notification statutes,
 - (i) there is no legal impediment to the performance by Gulfstream of its obligations under this Agreement; and
 - (ii) except for filings or registrations which, if not made, or for authorizations, consents or approvals, which, if not received, would not have a material adverse effect on the ability of Gulfstream to consummate the business combination transaction contemplated hereby, no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Gulfstream in connection with the making or the consummation of the Offer, other than (i) compliance with the *Investment Canada Act* (Canada), (ii) the filing with the SEC of (A) the Offer Documents and (B) such reports under Section(s) 13 and 16 of the Exchange Act, as may be required in connection with this Agreement, the Offer and the Second Stage Transaction, and (iii) the filing with the Securities Authorities in Canada of the Offer Documents.

6.4 Capitalization

As of the date hereof, the authorized share capital of Gulfstream consists of an unlimited number of common shares of Gulfstream. As of the date hereof, 68,609,094 common shares of Gulfstream (which number includes the number of issued and outstanding common shares of Gulfstream and common shares issuable (i) pursuant to the Retention Bonus Plan, (ii) pursuant to the CIBC Engagement Agreement and (iii) pursuant to Gulfstream Options which have an exercise price less than Cdn. \$2.65) (as more particularly described in Schedule B) and no other shares of Gulfstream are issued and outstanding. As of the date hereof, options to acquire common shares of Gulfstream as more particularly set out in Schedule B attached hereto, and no other common shares of Gulfstream are outstanding under the Share Option Plan, details of which including the number of such options at each exercise price are set forth in Schedule B hereto. Except as set forth above in this Section 6.4, and except for common shares of Gulfstream issuable under the Retention Bonus Plan, as more particularly set out in Schedule D attached hereto and except for the 227,273 common shares of Gulfstream issuable pursuant to the CIBC Engagement Agreement, there are no share options, warrants or other rights, agreements or commitments of any character whatsoever (contingent or otherwise) requiring the issuance, sale or transfer by Gulfstream of any shares of Gulfstream (including the outstanding common shares of Gulfstream) or any securities convertible into or exchangeable or exercisable for or otherwise evidencing a right to acquire, any shares of Gulfstream (including the common shares of Gulfstream), nor except as set forth in the Disclosed Information are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangement or commitments based upon the book value, income or other attribute of Gulfstream. All outstanding common shares of Gulfstream have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any preemptive rights, and all authorized but unissued common shares of Gulfstream issuable upon exercise of Gulfstream Options, pursuant to the Retention Bonus Plan or the CIBC Engagement Agreement, all in accordance with the respective terms of issuance thereof will be duly authorized and validly issued, fully paid and non-assessable and will not be subject to any preemptive rights.

Schedule D sets forth a complete and accurate description of the Retention Bonus Plan, which has been approved by the board of directors of Gulfstream and which has been verbally approved by The Toronto Stock Exchange, but which, as of the date hereof, has not been approved in writing by The Toronto Stock Exchange.

6.5 No Material Adverse Change

Except as set forth in the Disclosed Information or as publicly disclosed by Gulfstream prior to the date hereof, since March 31, 2001, there has not been any Material Adverse Change.

6.6 No Undisclosed Material Liabilities

Except:

- (a) as set forth in the Disclosed Information or as disclosed or reflected in the audited consolidated financial statements of Gulfstream as at September 30, 2000 and the unaudited interim

consolidated financial statements of Gulfstream as at March 31, 2001, previously delivered to the Offeror as part of the Disclosed Information; and

- (b) for liabilities and obligations
 - (i) incurred in the ordinary course of business and consistent with past practice; or
 - (ii) pursuant to the terms of this Agreement;

Gulfstream, together with its subsidiaries, taken as a whole, has not incurred any liabilities of any nature, whether accrued, contingent or otherwise that have constituted or would be reasonably likely to constitute a Material Adverse Change, including without limitation, physical hedges of petroleum products, other than as set forth in Schedule E attached hereto and made a part hereof.

6.7 Personnel Obligations

There are no Personnel Obligations other than as set forth in the Disclosed Information contained in the Data Room or previously supplied to the Offeror or as contemplated by this Agreement.

6.8 Financial Advisory and Other Fees

Gulfstream has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that CIBC World Markets Inc. (the "Financial Advisor") has been retained as Gulfstream's financial advisor in connection with certain matters including the transactions contemplated hereby, including the issuance to CIBC World Markets Inc. of 227,273 common shares of Gulfstream pursuant to the CIBC Engagement Agreement. The totality of the fees payable to the Financial Advisor pursuant to the CIBC Engagement Agreement is \$3,802,702.90 and no more, which sum is inclusive of the 227,273 common shares having a deemed value of Cdn. \$2.65 each. Gulfstream has already made a payment of \$250,000 to the Financial Advisor in respect of this amount.

6.9 Reports

- (a) Gulfstream has heretofore made available to the Offeror true and complete copies of:
 - (i) Gulfstream's Annual Report for the 2000 financial year, 2000 Annual Information Form, Gulfstream's Information Circular relating to its 2001 annual and special meeting of shareholders, Gulfstream's 2000 Annual Report to shareholders (including the audited financial statements of Gulfstream dated September 30, 2000), Gulfstream's quarterly report for the period ended March 31, 2001 and Gulfstream's unaudited interim financial statements for the period ended March 31, 2001; and
 - (ii) all prospectuses or other offering documents used by Gulfstream in the offering of its securities and filed with Securities Authorities since January 1, 2000.

As of their respective dates, such forms, statements, prospectuses and other offering documents (including all exhibits and schedules thereto and documents incorporated by reference therein) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading and complied in all material respects with all applicable requirements of law. The audited financial statements and unaudited interim financial statements of Gulfstream publicly issued by Gulfstream, previously delivered to the Offeror, or included or incorporated by reference in such form, statements, prospectuses and other offering documents were prepared in accordance with generally accepted accounting principles in Canada (except (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Gulfstream's independent accountants or (ii) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present the financial position, results of operations and changes in financial position of Gulfstream as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).

6.10 Subsidiaries

Schedule G attached hereto and made a part hereof is a true and accurate list of all direct and indirect subsidiaries of Gulfstream and of Gulfstream's beneficial shareholding position in each such subsidiary. Except for its direct or indirect interest in such subsidiaries, Gulfstream has no direct or indirect, wholly-owned or partially-owned material subsidiaries of any kind.

6.11 Compliance with Law

Gulfstream and its subsidiaries have complied with and are in compliance with all laws and regulations applicable to the operation of their respective businesses, except where such non-compliance would not, considered individually or in the aggregate, have a Material Adverse Effect or would materially affect the ability of Gulfstream to consummate the transactions contemplated hereby.

6.12 Employment Agreements

Except as set forth in Schedule E attached hereto, Gulfstream and its subsidiaries are not a party to any material employment or consulting agreement or any written agreement which provides for a payment by Gulfstream or any of its subsidiaries upon a change of control of Gulfstream or severance of employment and Gulfstream agrees that it will and it will cause each subsidiary not to amend the terms and conditions of any of the foregoing that were disclosed in the Disclosed Information.

6.13 Employee Benefit Plans

Except as set forth in the Disclosed Information, Gulfstream does not have any employee benefit plans and has made no promises with respect to increased benefits under such plans. The financial obligations of Gulfstream under such plans are as disclosed in the Disclosed Information.

6.14 Data and Information

Gulfstream agrees to preserve information contained in the Data Room (without any amendment or changes to such information), with such information to be maintained by Gulfstream, and reasonable access shall be provided to the Offeror upon reasonable request for purposes of identifying the information relating to the index of information and to facilitate efforts under Section 7.3. In addition, Gulfstream shall provide all reasonable access as may be requested by the Offeror for it and its representatives to conduct a site visitation in respect of the assets of Gulfstream or its subsidiaries. All material data and information provided by Gulfstream to the Offeror and its agents and representatives taken as a whole is true and correct in all material respects and does not omit any data or information necessary to make the data and information provided, taken as a whole, not misleading in any material respect.

6.15 Books and Records

The corporate records and minute books of Gulfstream and its Subsidiaries have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects.

6.16 Litigation, etc.

Except as disclosed in writing to the Offeror or made available in the Data Room prior to the date hereof, there are no actions, suits or proceedings pending, or to the knowledge of Gulfstream, threatened against Gulfstream or any of its subsidiaries before or by any federal, provincial, state, local, foreign, municipal or other governmental department, commission, board, bureau, agency, court or instrumentality, which action, suit or proceeding involves a possibility of any judgment against or liability of Gulfstream or any of its subsidiaries or other person which, if successful, would have a Material Adverse Effect, or materially adversely affect the ability of Gulfstream to perform its obligations hereunder.

6.17 Environmental

Except as set forth in the Disclosed Information:

- (a) Gulfstream is not aware of and neither it nor any of its subsidiaries has received:
 - (i) any order or directive which relates to environmental matters and which requires any material work, repairs, construction, or capital expenditures; or
 - (ii) any demand or notice with respect to the material breach of any environmental, health or safety law applicable to Gulfstream or any of its subsidiaries or any of their respective business undertakings, including, without limitation, any regulations respecting the use, storage, treatment, transportation, or disposition of environmental contaminants;
- (b) Gulfstream and its subsidiaries have not received notice of and are not aware of any material environmental liabilities related to their respective assets, other than obligations in the ordinary course of business to abandon wells when they have ceased to be productive, remove production equipment when it is no longer being used and restore and reclaim the surface sites thereof;
- (c) all material environmental and health and safety permits, licenses, approvals, consents, certificates and other authorizations of any kind or nature ("Environmental Permits") necessary for the ownership, operation, development, maintenance, or use of any of the assets have been obtained and maintained in effect; and
- (d) Gulfstream and its subsidiaries, their respective assets and the ownership, operation, development, maintenance and use thereof are in material compliance with all environmental laws and with all terms and conditions of all Environmental Permits.

For purposes of this section, Gulfstream provides each of the representations and warranties to its knowledge, without inquiry, with respect to those operations and assets which it does not operate.

6.18 Tax Matters

- (a) For purposes of this Agreement, the following definitions shall apply:
 - (i) The term "Taxes" shall mean all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any federal, provincial, state, local or foreign government or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), capital, payroll and employee withholding taxes, labour taxes, unemployment insurance, social insurance taxes, sales and use taxes, goods and services taxes, *ad valorem* taxes, value added taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Gulfstream or any of its subsidiaries is required to pay, withhold or collect.
 - (ii) The term "Returns" shall mean all reports, estimates, declarations of estimated tax, information statements and returns relating to, or required to be filed in connection with, any Taxes.
- (b) All Returns required to be filed by or on behalf of Gulfstream or any subsidiary have been duly filed on a timely basis and such Returns are true, complete and correct in all material respects. All Taxes shown to be payable on the Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and no other Taxes are payable by Gulfstream or any subsidiaries with respect to items or periods covered by such Returns.
- (c) Gulfstream and its subsidiaries have paid or provided adequate accruals in its financial statements for the year ended September 30, 2000 for Taxes, including income taxes, labour taxes and related future taxes, in conformity with generally accepted accounting principles applicable in Canada.

- (d) For all periods covered by the filed tax returns disclosed in the Disclosed Information, the Offeror has been furnished by Gulfstream true and complete copies of:
 - (i) relevant portions of income tax audit reports, statements of deficiencies, closing or other agreements received by Gulfstream or on behalf of Gulfstream or any subsidiary relating to Taxes; and
 - (ii) all federal, provincial, state, local or foreign income or franchise tax returns for Gulfstream and its subsidiaries.
- (e) No material deficiencies exist or have been asserted with respect to Taxes of Gulfstream or any of its subsidiaries. Gulfstream and its subsidiaries are not a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against Gulfstream or any of its subsidiaries or any of their respective assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns of Gulfstream or any subsidiary. Except as disclosed in the Disclosed Information, the Returns of Gulfstream and its subsidiaries have not been audited by a government or taxing authority within the last three (3) years, nor is any such audit in process, pending or threatened.

6.19 Confidentiality Agreements

Gulfstream has entered into confidentiality agreements with persons other than the Offeror regarding the confidentiality of information provided to such persons or reviewed by such persons in the Data Room. As at the date hereof, Gulfstream has not negotiated any Take-over Proposal with any person who has not entered into such a confidentiality agreement or provided access to the Data Room to any person who has not entered into such a confidentiality agreement. Gulfstream agrees to enforce all such confidentiality agreements.

6.20 Insurance

Policies of insurance in force as of the date hereof naming Gulfstream as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of Gulfstream and the Gulfstream subsidiaries as would be customary in respect of the businesses carried on by Gulfstream and the Gulfstream subsidiaries. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Offer.

6.21 Engineering Report

Gulfstream has provided to Sproule International Limited ("Sproule"), independent geological and petroleum engineering consultants, all material information concerning concession descriptions and well data respecting Qatar Block 11, Qatar Block 12 and Oman Block 30 of Gulfstream at March 31, 2001, in respect of the Engineering Report and, in particular, all material information respecting Gulfstream's interests in these assets. Gulfstream is not aware of any information not provided to Sproule that would have a material adverse impact on the Engineering Report, taken as a whole.

6.22 Material Agreements

There are no agreements, permits, licenses, approvals, certificates, rights and authorizations, material to the conduct of Gulfstream's business except as disclosed in Schedule F, all such agreements, permits, licenses, approvals, certificates, rights and authorizations are valid and subsisting, in accordance with their respective terms and Gulfstream is not in material default under any of such agreements, permits, licenses, approvals, certificates, rights or authorizations except as may have been disclosed in writing to the Offeror or as may be described in Schedule E attached hereto.

ARTICLE VII
CONDUCT OF BUSINESS

7.1 Conduct of Business by Gulfstream

Except as required by law or is otherwise expressly permitted or specifically contemplated by this Agreement, Gulfstream covenants and agrees that, during the period from the date of this Agreement until the earlier of either:

- (i) the Effective Time; or
 - (ii) the time that this Agreement is terminated by its terms, unless the Offeror shall otherwise agree in writing;
- (a) the business of Gulfstream or any of its subsidiaries shall be conducted only in, and Gulfstream shall, and shall cause its subsidiaries to not take any action except in, the usual and ordinary course of business and consistent with past practice, and Gulfstream shall and shall cause its subsidiaries to use all commercially reasonable efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships;
- (b) Gulfstream shall not directly or indirectly do or permit to occur any of the following:
- (i) amend the Gulfstream Governing Documents;
 - (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any person other than the inter-
corporate loans and advances;
 - (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares of Gulfstream, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of Gulfstream, other than common shares of Gulfstream issuable pursuant to the terms of the Gulfstream Options, Employee Retention Plan and the CIBC Engagement Agreement;
 - (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities including, without limitation, under an issuer bid;
 - (v) split, combine or reclassify any of its shares;
 - (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Gulfstream or any of its subsidiaries;
 - (vii) reduce its stated capital; or
 - (viii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above;
- (c) Since March 31, 2001, Gulfstream and its subsidiaries have not, other than as disclosed, and they shall not, without prior consultation with and the consent of the Offeror, directly or indirectly do any of the following:
- (i) sell, pledge, dispose of or encumber any assets except for the marketing of petroleum production in the ordinary course of business and consistent with Gulfstream's past marketing practices;
 - (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any

- investment either by purchase of shares or securities, contributions of capital or property transfer;
- (iii) acquire any assets;
 - (iv) incur any indebtedness for borrowed money other than pursuant to existing facilities, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances, other than the Personnel Obligations and fees payable to legal and accounting advisors in the ordinary course and fees payable to legal, accounting, engineering and financial advisors in connection with the matters and transactions contemplated by this Agreement;
 - (v) authorize, recommend or propose any release or relinquishment of any material contract right;
 - (vi) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document;
 - (vii) enter into or terminate any hedges, swaps or other financial instruments or like transactions;
 - (viii) enter into any agreements with directors or officers of Gulfstream or their respective affiliates; or
 - (ix) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (d) From the date hereof, Gulfstream will not without prior consultation with and the consent of the Offeror enter into new commitments of a capital expenditure nature or incur any new contingent liabilities other than (i) ordinary course expenditures, including without limitation, Gulfstream's share of AFE's approved after the date hereof for ordinary course expenditures which are not of a capital expenditure nature and expenditures necessary for the maintenance of existing facilities, machinery and equipment in good operating condition and repair, (ii) Gulfstream's share of the cost of drilling any wells involving a cost of up to Cdn. \$100,000 on an aggregate basis, (iii) expenditures required by law, and (iv) capital expenditures required under Schedule F, being the schedule of Material Agreements which, if not made, would result in a Material Adverse Effect, provided that Gulfstream will not make such capital expenditures referred to in this subclause (iv) without prior consultation with and the consent of the Offeror, such consent not to be unreasonably withheld.
- (e) Neither Gulfstream nor any of its subsidiaries shall create any new Personnel Obligations and, except for payment of the existing Personnel Obligations (from which Gulfstream shall make appropriate withholdings as required by applicable tax laws), Gulfstream and its subsidiaries shall not grant to any officer or director an increase in compensation in any form, grant any general salary increase other than in accordance with the requirements of any existing collective bargaining or union contracts, grant to any other employee any increase in compensation in any form other than routine increases in the ordinary course of business consistent with past practices, make any loan to any officer or director, or take any action with respect to the grant of any severance or termination pay arising from the Offer or a change of control of Gulfstream or the entering into of any employment agreement with, any senior officer or director, or with respect to any increase of benefits payable under its current severance or termination pay policies; and
- (f) neither Gulfstream nor any of its subsidiaries shall adopt or amend or make any contribution to any bonus, profit sharing, option, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangements or agreements without the consent of the Offeror.

7.2 Conduct of Business by the Offeror

The Offeror covenants and agrees that, during the period from the date of this Agreement until this Agreement is terminated in accordance with its terms, unless Gulfstream shall otherwise agree in writing, except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) neither the Offeror nor any of its subsidiaries will take any actions which would be reasonably expected to materially impede or otherwise frustrate the completion of the Offer; and
- (b) the Offeror shall and shall cause each of its subsidiaries to not take any action that would render, or that reasonably may be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect.

7.3 Integration of Operations

- (a) From and after the mailing of the Offer, the Offeror and its representatives will be permitted reasonable access to Gulfstream's management personnel and employees to permit the Offeror to be in a position to expeditiously integrate the business and operations of Gulfstream with that of the Offeror immediately upon but not prior to, the Effective Time provided such reasonable access does not cause any unreasonable disruptions to Gulfstream's business or operations prior to the Effective Time.
- (b) All information provided to the Offeror pursuant to this Section 7.3 shall be subject to the Offeror's Confidentiality Agreement.

ARTICLE VIII COVENANTS OF GULFSTREAM

8.1 Notice of Material Change

From the date hereof until the termination of this Agreement, Gulfstream shall promptly notify the Offeror in writing of:

- (a) any material change (actual, anticipated, contemplated or, to the knowledge of Gulfstream or any of its subsidiaries, threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of Gulfstream and its subsidiaries, taken as whole;
- (b) any change in the facts relating to any representation or warranty set forth in Article VI which change is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect; or
- (c) any material fact which arises and which would have been required to be stated herein had the fact arisen on or prior to the date of this Agreement.

Gulfstream shall in good faith discuss with the Offeror any change in circumstances (actual, anticipated, contemplated or, to the knowledge of Gulfstream or any of its subsidiaries, threatened, financial or otherwise) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the Offeror pursuant to this section.

8.2 Non-Completion Fee

If at any time after the date of this Agreement:

- (a) the board of directors of Gulfstream (i) fails in any material respect to make any of its recommendations, approvals, resolutions or determinations referred to in Section 2.2(a), or (ii) shall have publicly withdrawn, modified or changed any of its recommendations, approvals, resolutions or determinations referred to in Section 2.2(a) in a manner materially adverse to the

Offeror, or (iii) fails in any material respect to reaffirm any of its recommendations, approvals, resolutions or determinations referred to in Section 2.2(a) upon a Take-over Proposal being publicly announced or proposed, offered or made to Gulfstream or the holders of Gulfstream Shares (such affirmation to be made within 10 days of such Take-over Proposal being publicly announced, proposed, offered or made); or

- (b) the board of directors of Gulfstream shall have recommended that holders of Gulfstream Shares deposit their Gulfstream Shares under, vote in favour of, or otherwise accept a Take-over Proposal; or
- (c) Gulfstream shall have entered into an agreement (other than a confidentiality agreement referred to in Section 8.3(i)(C)) with any Person providing for a Take-over Proposal prior to the Expiry Time; or
- (d) a Take-over Proposal is made to the holders of Gulfstream Shares and at the Expiry Time the Minimum Condition has not been satisfied and such Take-over Proposal has not expired or been withdrawn on the Expiry Time and such Take-over Proposal, with or without amendment, is thereafter completed;

then Gulfstream shall, within two Business Days after the first to occur of the events described above, pay to the Offeror the amount of Cdn. \$8,000,000 in cash. If such Cdn. \$8,000,000 is not so paid by 5:00 p.m. (Calgary time) on the second Business Day, the Offeror shall have the option to require Gulfstream or to cause any subsidiary of Gulfstream to assign and transfer to the Offeror, Gulfstream's working interest ownership in certain oil and gas properties designated by the Offeror, in the Offeror's sole discretion, having a fair market value of Cdn. \$8,000,000 determined by the Offeror in its sole and absolute discretion. Any such payment shall be made in immediately available funds to an account designated by the Offeror and any such assignment and transfer to the Offeror shall be made as soon as is practicable. The assignment and transfer of such oil and gas properties to the Offeror pursuant to the provisions hereof shall be subject to the receipt by the Offeror of all necessary governmental and third party consents and the execution by Gulfstream of definitive documents, the terms and conditions of which are acceptable to the Offeror and its counsel. Such documents shall include standard vendor representations and warranties including, without limitation, provisions that such working interest ownership in such oil and gas properties is owned by Gulfstream outright, is transferable by Gulfstream and is free and clear of all title defects and encumbrances whatsoever, other than permitted encumbrances. For the purposes of the foregoing statement, "encumbrances" shall mean any mortgage, pledge, charge, assignment, security interest, hypothec, lien, complaint, direction or order (environmental or otherwise) leasehold or other interest or other encumbrance, including without limitation, any agreement to give any of the foregoing, any claim, proceeding, right of first refusal, restrictive covenant or any conditional sale or other title retention agreement. For the purposes of the foregoing statement, the term "permitted encumbrances" shall mean:

- (a) a lien for taxes not yet due or the validity of which is being contested in good faith by Gulfstream and liens for the excess of the amount of any past due taxes for which a final assessment has not been received over the amount of such taxes as estimated by a responsible representative of Gulfstream, and in each case in respect of which Gulfstream has set aside and shall place into trust a cash reserve sufficient to fully pay and satisfy same;
- (b) undetermined or inchoate liens or charges incidental to current operations which have not at the time been duly registered in accordance with applicable law against Gulfstream or its property and of which no notice has been served upon Gulfstream in accordance with such law in respect of which Gulfstream has set aside and shall place into trust cash reserves to fully pay and satisfy same;
- (c) liens incurred or created in the ordinary course of business of Gulfstream on such oil and gas properties which are in favour of any other person who is conducting the development or operation of such oil and gas properties to which such liens relate, for the cost and expenses of such development or operation which would have otherwise been paid by Gulfstream and in respect of which Gulfstream has set aside and shall place into trust cash reserves sufficient to fully pay and satisfy the same;

- (d) easements or rights in land granted to public utilities, pipeline owners, common carriers or similar bodies or to any municipality or governmental or other public authority which are not of such nature as to prevent or materially affect the transfer or use of such oil and gas properties subject thereto;
- (e) any interest of any third party under any royalty or other encumbrance affecting the petroleum or natural gas rights in respect of such oil and gas properties in effect as at the date of this Agreement and which interest or encumbrance is identified in writing to the Offeror and has been accepted in writing by the Offeror.

8.3 No Solicitation

Gulfstream shall immediately cease and cause to be terminated any existing solicitation, initiation, encouragement, activity, discussion, negotiation or other procedures with any parties conducted heretofore by Gulfstream (including restricting access to the Data Room to the Offeror and its representatives), or its officers, directors, employees, financial advisors, legal counsel, representatives and agents ("Representatives") with respect to a Take-over Proposal (as defined herein) whether or not initiated by Gulfstream, and in connection therewith Gulfstream shall not release any third party from any confidentiality or standstill agreement to which Gulfstream and such third party is a party or amend any of the foregoing and shall exercise all rights to require the return of information regarding Gulfstream previously provided to such parties and shall exercise all rights to require the destruction of all materials including or incorporating any information regarding Gulfstream. From and after the date hereof, Gulfstream will not, and will not authorize or permit any of its Representatives to, directly or indirectly, solicit, initiate or encourage (including by way of furnishing information) or participate in or take any other action to facilitate any inquiries or the making of any proposal which constitutes or may reasonably be expected to lead to a Take-over Proposal from any person, or engage in any discussion, negotiations or inquiries relating thereto or accept any Take-over Proposal; *provided, however*, that Gulfstream may:

- (i) engage in discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, by Gulfstream or its Representatives after the date hereof) seeks to initiate such discussions or negotiations and may furnish such third party with information concerning Gulfstream and its business, properties and assets which has previously been provided to the Offeror if, and only to the extent that:
 - (A) Gulfstream reports the receipt of a proposal on inquiry from the third party to the Offeror within 24 hours of receiving such proposal or inquiry;
 - (B) the third party has first made a *bona fide* written Take-over Proposal that is financially superior to the Offer and has demonstrated that such proposal constitutes a commercially feasible transaction which could be carried out within a time frame that is reasonable in the circumstances and that the funds or other consideration necessary for the Take-over Proposal are available (as determined in good faith in each case by Gulfstream's board of directors) (a "Superior Proposal") and Gulfstream's board of directors has concluded in good faith, after considering applicable law and receiving the advice of legal counsel to the effect that the board of directors of Gulfstream is required to do so in order to properly discharge its fiduciary duties under applicable law;
 - (C) prior to furnishing such information to or entering into discussions or negotiations with such person or entity, Gulfstream provides immediate notice orally and in writing to the Offeror specifying that it is furnishing information to or entering into discussions or negotiations with such person or entity in respect to a Superior Proposal, receives from such person or entity an executed confidentiality agreement having confidentiality and standstill terms substantially similar to those contained in the Offeror Confidentiality Agreement, and provides the Offeror with a summary of the material terms of such Superior Proposal and any material amendments thereto and confirming in writing the determination of Gulfstream's board of directors that the Take-over Proposal if completed would constitute a Superior Proposal;

- (D) Gulfstream provides timely notice to the Offeror at such time as it or such person or entity terminates any such discussions or negotiations; and
 - (E) Gulfstream immediately provides to the Offeror any information provided to any such person or entity whether or not previously made available to the Offeror;
- (ii) comply with Rules 14d-9 and 14e-2 promulgated under the *Exchange Act* with regard to a tender or exchange offer, if applicable, and similar rules under applicable Canadian securities laws relating to the provision of directors' circulars, and make appropriate disclosure with respect thereto to Gulfstream's shareholders; and
 - (iii) accept, recommend, approve or implement a Superior Proposal from a third party, but only (in the case of this clause (iii)) if prior to such acceptance, recommendation, approval or implementation, Gulfstream's board of directors shall have concluded in good faith, after considering provisions of applicable law and after giving effect to all proposals to adjust the terms and conditions of this Agreement and the Offer which may be offered by the Offeror during the three Business Days notice period set forth below and after receiving the advice of legal counsel, and Gulfstream terminates this Agreement in accordance with Sections 8.2 and 11.1(i).

Gulfstream shall give the Offeror orally and in writing at least three Business Days advance notice of any decision by the Board of Gulfstream to accept, recommend, approve or implement a Superior Proposal which notice shall identify the party making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. In addition Gulfstream shall, and shall cause its respective financial and legal advisors to, negotiate in good faith with the Offeror to make such adjustments in the terms and conditions of this Agreement and the Offer as would enable Gulfstream to proceed with the Offer as amended rather than the Superior Proposal. In the event the Offeror proposes to amend this Agreement and the Offer to provide substantially equivalent or superior value to that provided under the Superior Proposal within the three Business Days time period specified above, then Gulfstream shall not accept, recommend, approve or enter into any agreement regarding the Superior Proposal.

8.4 Gulfstream Board of Directors

As soon as reasonably practicable following the acquisition by the Offeror of more than 50.1% of the outstanding Gulfstream Shares pursuant to the Offer, the board of directors of Gulfstream shall be reconstituted through resignations of certain of the Gulfstream directors and the appointment of the Offeror nominees in their stead. Gulfstream shall, in accordance with the foregoing and subject to the provisions of the Act, assist the Offeror to secure the resignations of all Gulfstream directors to be effective at such time as may be required by the Offeror and to use its best efforts to cause the election of the Offeror nominees to fill the vacancies so created in order to effect the foregoing without the necessity of a shareholder meeting.

ARTICLE IX COVENANTS OF THE OFFEROR

9.1 Representations and Warranties

The Offeror covenants and agrees that at all times when the Offer is outstanding, it shall not take any action, or fail to take any action, which would reasonably be expected to result in the representations and warranties set out in Article V being untrue in any material respect.

9.2 Employment Agreements

The Offeror covenants and agrees, and after the Effective Time will cause Gulfstream and any successor to Gulfstream to agree, to honor and comply with the terms of those existing employment agreements and change in control agreements, plans, policies or arrangements of Gulfstream and financial advisory contractual arrangements which Gulfstream has disclosed to the Offeror in writing prior to the date hereof.

9.3 Change of Name of Gulfstream and Subsidiaries

Within a reasonable period of time following the first date that the Offeror takes up and pays for Gulfstream Shares, the Offeror will cause each of Gulfstream and its subsidiaries to change its name to a name that does not include the word "Gulfstream" or any word that may be similar thereto. After such name change, neither the Offeror nor any of its associates or affiliates will carry on business, either directly or indirectly, under the name "Gulfstream" or any name that may be similar thereto.

9.4 Other Covenants

The Offeror covenants and agrees that, from and including the date hereof until the termination of this Agreement, unless Gulfstream agrees otherwise in writing:

- (a) the Offeror shall use all commercially reasonable efforts to consummate the Offer, subject only to the terms and conditions hereof and thereof;
- (b) the Offeror shall use all commercially reasonable efforts to obtain all of the regulatory approvals, waivers and consents set out in paragraph (b) of Schedule A; and
- (c) the Offeror shall not take any action or permit any of its subsidiaries to take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to expiry of the Offer or termination of this Agreement, whichever first occurs.

ARTICLE X **MUTUAL COVENANTS**

10.1 Other Filings

The Offeror and Gulfstream shall, as promptly as practicable hereafter, prepare and file any filings required under any Securities Law, the rules of The Toronto Stock Exchange or any other applicable laws relating to the transactions contemplated hereby.

10.2 Additional Agreements

Subject to the terms and conditions herein provided and to fiduciary obligations under applicable law as advised by counsel, each of the parties hereto agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts:

- (i) to obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts or agreements (including, without limitation, the agreement of any persons as may be required pursuant to any agreement, arrangement or understanding relating to Gulfstream's operations);
- (ii) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, provincial or foreign law or regulations;
- (iii) to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;
- (iv) to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby;

- (v) to effect all necessary registrations and other filings and submissions of information requested by governmental authorities; and
- (vi) to fulfill all conditions and satisfy all provisions of this Agreement and the Offer.

For purposes of the foregoing, the obligation to use "commercially reasonable efforts" to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other parties.

ARTICLE XI

TERMINATION, AMENDMENT AND WAIVER

11.1 Termination

This Agreement, other than any obligations heretofore accrued, may be terminated by written notice promptly given to the other party hereto, at any time prior to the Take-up Date:

- (a) by mutual agreement by the Offeror and Gulfstream; or
- (b) by either the Offeror or Gulfstream if a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the business combination transaction contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable; or
- (c) by Gulfstream, if the Offeror has not mailed the Offer Documents to Gulfstream's Shareholders on or before 5:00 p.m. (Calgary time) on Friday, July 6, 2001; or
- (d) by the Offeror, if the conditions to the Offer set forth in Schedule A have not been satisfied or waived by the Offeror on or before the Expiry Time; or
- (e) by Gulfstream, if the Offeror has not taken up and paid for the Gulfstream Shares deposited under the Offer on or before September 30, 2001; or
- (f) by the Offeror or Gulfstream, if the Offer terminates or expires at the Expiry Time without the Offeror taking up and paying for any of the Gulfstream Shares as a result of the failure of any condition to the Offer to be satisfied or waived, unless the absence of such occurrence shall be due to the failure of the party seeking to terminate this Agreement to perform the obligations under this Agreement required to be performed by it; or
- (g) by the Offeror or Gulfstream, if the fee referred to in Section 8.2 becomes payable and payment is made to the Offeror;
- (h) by either the Offeror or Gulfstream, if there has been a breach or non-performance by the other party of any representation, warranty or covenant contained in this Agreement which would have or would be reasonably likely to have a material adverse effect on the party seeking to terminate, provided that the breaching party has been given written notice specifying in reasonable detail any such misrepresentation, breach or non-performance and has had three days to cure such misrepresentation, breach or non-performance, other than in respect of Section 8.2 and Section 8.3; or
- (i) by Gulfstream if (i) Gulfstream's board of directors has received a Superior Proposal, (ii) Gulfstream has notified the Offeror in writing of the existence of a Superior Proposal, (iii) at least two Business Days following receipt by the Offeror of the notice referred to in clause (ii) immediately above, and taking into account any revised proposal made by the Offeror since

receipt of the notice referred to in clause (ii) immediately above, such Superior Proposal remains a Superior Proposal.

11.2 Effect of Termination

In the event of the termination of this Agreement as provided in Section 11.1, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of the Offeror or Gulfstream hereunder except as set forth in Section 7.3(b), Section 8.2, Section 12.5 and this Section 11.2, which provisions shall survive the termination of this Agreement. Subject to Section 8.2, nothing herein shall relieve any party from liability for any breach of this Agreement.

11.3 Amendment

This Agreement may be amended by mutual agreement between the parties hereto. This Agreement may not be amended except by an instrument in writing signed by the appropriate officers on behalf of each of the parties hereto.

11.4 Waiver

The Offeror, on the one hand, and Gulfstream, on the other hand, may (i) extend the time for the performance of any of the obligations or other acts of the other, (ii) waive compliance with any of the other's agreements or the fulfillment of any conditions to its own obligations contained herein or (iii) waive inaccuracies in any of the other's representations or warranties contained herein or in any document delivered by the other party hereto; *provided, however*, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE XII GENERAL PROVISIONS

12.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile or sent by prepaid overnight courier to the parties at the following addresses (or at such other addresses as shall be specified by the parties by like notice):

(a) if to the Offeror:

Anadarko Petroleum Corporation
17001 Northchase Drive
Houston, Texas 77060

Attention: Bruce H. Stover
Vice President, Worldwide Business Development

Fax No.: (281) 874-8853

with a copy to:

Anadarko Canada Corporation
1400, 425 – 1st Street S.W.
Calgary, Alberta T2P 4V4

Attention: Charlene A. Ripley
Vice President General Counsel & Secretary

Fax No.: (403) 231-0242

and with a copy to:

Donahue Ernst & Young LLP
1000, 440 – 2nd Avenue S.W.
Calgary, Alberta T2P 5E5

Attention: Alan Jochelson and Richard Peters

Fax No.: (403) 206-5525

(b) if to Gulfstream:

Gulfstream Resources Canada Limited
3465 Bankers Hall East
855 – 2nd Street S.W.
Calgary, Alberta
T2P 4J8

Attention: Gary J. Beagle
Vice President, Finance and Chief Financial Officer

Fax No.: (403) 233-7501

with a copy to:

Bennett Jones LLP
4500 Bankers Hall East
855 - 2nd Street S.W.
Calgary, Alberta
T2P 4K7

Attention: John S. Burns, Q.C.

Fax No.: (403) 265-7219

12.2 Miscellaneous

(a) This Agreement:

- (i) together with the Offeror's Confidentiality Agreement, constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties, with respect to the subject matter hereof; and
- (ii) shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

The parties hereto shall be entitled to rely upon delivery of an executed facsimile copy of the Agreement, and such facsimile copy shall be legally effective to create a valid and binding agreement among the parties hereto. Gulfstream agrees in favour of the Offeror that the standstill provisions of the Offeror's Confidentiality Agreement are waived and terminated to the extent necessary to permit the Offeror to purchase the Gulfstream Shares in accordance with Securities Laws and for so long as the Offer remains outstanding. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

- (b) Subject to the prior consent of the Offeror, acting reasonably, as to the form and substance thereof, Gulfstream agrees coincidentally with the mailing of the Offer Documents to deliver a letter to all parties to, and recipients under, the confidentiality agreements who received evaluation material requesting the return or destruction of such evaluation material in accordance with terms of the applicable confidentiality agreement and advising such parties and recipients as to their obligations under the confidentiality agreements in the context of this Agreement and the Offer.

12.3 Indemnification, etc.

- (a) If the Offeror acquires the Minimum Required Shares, the Offeror shall, to the fullest extent permitted by law, cause Gulfstream, the Offeror or the surviving or continuing corporation resulting from the Second Stage Transaction to honor all Gulfstream's obligations to indemnify (including any obligations to advance funds for expenses) the current or former directors or officers of Gulfstream for acts or omissions by such directors and officers occurring prior to the time that the Second Stage Transaction is completed to the extent that such obligations of Gulfstream exist on the date of this Agreement, whether pursuant to the Gulfstream Governing Documents, individual indemnity agreements or otherwise, and such obligations shall survive the Offer and the Second Stage Transaction and shall continue in full force and effect in accordance with the terms of the Gulfstream Governing Documents and such individual indemnity agreements from the time when the Second Stage Transaction is completed until the expiration of the applicable limitations period with respect to any claims against such directors or officers arising out of such acts or omissions.
- (b) For a period of six years after the time when the Offeror acquires the Minimum Required Shares, the Offeror shall cause to be maintained in effect the current policies of directors' and officers' liability insurance maintained by Gulfstream (provided that the Offeror may substitute therefor policies with reputable and financially sound carriers of at least the same coverage and amounts containing terms and conditions which are no less advantageous) with respect to claims arising from or related to facts or events which occurred at or before the time when the Offeror acquires the Minimum Required Shares; provided, however, that the Offeror shall not be obligated to make annual premium payments for such insurance to the extent such premiums exceed 100% of the annual premiums paid as of the date hereof by Gulfstream for such insurance, such amount being the "Maximum Premium". If such insurance coverage cannot be obtained at all, or can only be obtained at an annual premium in excess of the Maximum Premium, the Offeror shall maintain the most advantageous policies of directors' and officers' insurance obtainable for an annual premium equal to the Maximum Premium.
- (c) From and after the time when the Offeror acquires the Minimum Required Shares, to the fullest extent permitted by law, the Offeror shall, and shall cause Gulfstream, the Offeror or the surviving or continuing corporation in the Second Stage Transaction to, indemnify, defend and hold harmless the present and former officers and directors of Gulfstream and its subsidiaries and any employee of Gulfstream or its subsidiaries who acts as a fiduciary under any benefit plan established by Gulfstream or any subsidiary (each an "Indemnified Party") against all losses, claims, damages, liabilities, fees and expenses (including attorneys' fees and disbursements), judgments, fines and amounts paid in settlement (in the case of settlements, with the approval of the indemnifying party (which approval shall not be unreasonably withheld)) (collectively, "Losses"), as incurred (payable monthly upon written request which request shall include reasonable evidence of the Losses set forth therein) to the extent arising from, relating to, or otherwise in respect of, any actual or threatened action, suit, proceeding or investigation, in respect of actions or omissions occurring at or prior to the time when the Second Stage Transaction is completed in connection with such Indemnified Party's duties as an officer or director of Gulfstream or any of its subsidiaries, including with respect to this Agreement, the Offer, the Second Stage Transaction and the other transactions; provided, however, that an Indemnified Party shall not be entitled to indemnification under this Section 12.3(c) for Losses arising out of actions or omissions by the Indemnified Party constituting (i) a breach of this Agreement, (ii) criminal conduct or (iii) any violation of Securities Laws.

12.4 Assignment

Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party. The Offeror may assign all or any part of its rights or obligations under this Agreement to one or more of the Offeror's subsidiaries as referred to in and subject to compliance with Sections 2.1(a) and 12.7 hereof.

12.5 Expenses

Except as provided in Section 8.2, all fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such cost or expense if the Offer is not consummated, and if consummated the Offeror agrees to pay or cause Gulfstream to pay all such fees, costs or expenses.

12.6 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12.7 Offeror Guarantee

In the event that the Offeror assigns its rights and obligations hereunder, pursuant to and as contemplated by Sections 2.1(a) and 12.4, the Offeror hereby unconditionally and irrevocably guarantees the performance of all covenants and obligations of such subsidiary or assignee in this Agreement. The Offeror waives, diligence, presentment, demand of payment, any right to require proceeding first against such subsidiary or assignee, protest notice and all demands whatsoever. The Offeror agrees that this guarantee will not be discharged except by complete performance of the covenants and obligations of the Offeror and any such subsidiary or assignee under Sections 2.1(a) or 12.4 under this Agreement. Articles I, X, XI and XII (including without limitation Section 1.7) shall apply to the Offeror, *mutatis mutandis*.

12.8 Counterpart Execution

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument but all such counterparts together shall constitute one agreement.

SCHEDULE A

CONDITIONS TO THE OFFER

Capitalized terms used in this Schedule A but which are not defined herein shall have the meaning set forth in the attached Pre-Acquisition Agreement dated June 24, 2001 (the "Agreement") between Anadarko Petroleum Corporation and Gulfstream Resources Canada Limited.

Notwithstanding any other provisions of the Offer, but subject to the provisions of this Agreement, the Offeror reserves the right to withdraw or terminate the Offer and not take up and pay for, or to extend the period of time during which the Offer is open and postpone taking up and paying for, any Gulfstream Shares deposited under the Offer unless all of the conditions included in the Offer, substantially on the terms described below, are satisfied or waived by the Offeror:

- (a) at the Expiry Time, and at the time the Offeror first takes up and pays for Gulfstream Shares under the Offer, there shall have been validly deposited under the Offer and not withdrawn at least 66-2/3% of the outstanding Gulfstream Shares (calculated on a diluted basis), (the "Minimum Condition");
- (b) all requisite regulatory approvals, orders, notices, consents and expires of waiting periods (including, without limitation, under the *Competition Act* (Canada), the *Hart-Scott Rodino Antitrust Improvements Act of 1976* (United States) (if required) and the *Investment Canada Act* (Canada) and those of any stock exchanges or other securities or regulatory authorities), the failure of which to obtain or observe would preclude the completion of the Offer, shall have been obtained or occurred on terms and conditions satisfactory to the Offeror, acting reasonably, and all applicable statutory or regulatory waiting periods shall have expired or been terminated and the Offeror shall have determined in its sole judgment, acting reasonably, that no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period;
- (c) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any domestic or foreign court or tribunal or governmental agency or other regulatory authority or administrative agency or commission by any elected or appointed public official or by any private person in Canada or elsewhere, whether or not having the force of law, and no law, regulation or policy shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of the Offeror, acting reasonably, in either case:
 - (i) has the effect or may have the effect of cease trading the Gulfstream Shares, or enjoining, prohibiting or imposing material limitations, damages or conditions on the purchase by the Offeror of the Gulfstream Shares or the right of the Offeror to own or exercise full rights of ownership of the Gulfstream Shares; or
 - (ii) has had or, if the Offer was consummated, would result in, a Material Adverse Effect on Gulfstream or the completion of any compulsory acquisition or any Second Stage Transaction;
- (d) the Offeror shall have determined in its sole judgment, acting reasonably, that there shall not exist any prohibition at law against the Offeror making the Offer or taking up and paying for all of the Gulfstream Shares under the Offer or completing any compulsory acquisition or Second Stage Transaction in respect of any Gulfstream Shares not acquired under the Offer;
- (e) the Offeror shall have determined in its sole judgment, acting reasonably, that (i) Gulfstream shall not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under the Agreement, and (ii) all representations and warranties of Gulfstream contained in the Agreement shall have been true and correct in all material respects as of the date of the Agreement and shall not have ceased to be true and correct in any material respect thereafter; provided that Gulfstream has been given notice of and five days to cure any such breach, failure to comply or misrepresentation;

- (f) the Agreement shall not have been terminated pursuant to its terms; and
- (g) there shall have been no Material Adverse Change in respect of Gulfstream since the date of the Agreement.

SCHEDULE B

OPTIONS OUTSTANDING

Exercise Price	# of Options	# of Shares Exercisable
\$0.75	625,000	625,000
1.24	647,000	647,000
1.58	120,000	120,000
1.90	432,500	432,500
2.08	1,800,000	1,800,000
3.30	150,000	0
3.60	279,000	0
4.25	777,500	0
5.25	838,000	0
6.90	520,000	0
9.70	532,000	0
Total	6,721,000	3,624,500

SCHEDULE C

FORM OF PRE-TENDER AGREEMENT

June 24, 2001

●

Dear Sir:

Re: Offer by Anadarko Petroleum Corporation to Purchase all of the Outstanding Common Shares of Gulfstream Resources Canada Limited (the "Company")

Reference is made to the Pre-Acquisition Agreement made as of June 24, 2001 (the "**Pre-Acquisition Agreement**") between Anadarko Petroleum Corporation, a corporation existing under the laws of Delaware (hereinafter called "**Offeror**") and Gulfstream Resources Canada Limited, a corporation existing under the laws of Alberta (hereinafter called the "**Company**") pursuant to which Offeror has agreed, on certain terms and conditions, to make an offer to purchase all of the issued and outstanding Shares of the Company. All capitalized terms referred to herein shall have the meaning attributed thereto in the Pre-Acquisition Agreement.

We understand that you (the "**Selling Shareholder**") beneficially own, directly or indirectly, or exercise control or direction over, the number of Shares and options to acquire further Shares set forth in your acceptance at the end of this Agreement.

1. Covenants of Selling Shareholder

By the acceptance of this letter agreement, the Selling Shareholder hereby agrees, subject to the terms of paragraph 3 of this letter agreement, from the date hereof until the termination of this letter agreement:

- (a) not to sell, assign, convey or otherwise dispose of any of the Shares or options to acquire additional Shares owned, controlled or directed by such Selling Shareholder except pursuant to the Offer;
- (b) unconditionally and irrevocably to accept the Offer made by Offeror by tendering or causing to be tendered and not withdrawn the Shares presently owned, controlled or directed or hereafter acquired, controlled or directed (including any Shares hereafter acquired pursuant to the exercise of any options or other rights to purchase Shares) by such Selling Shareholder not later than 5 business days prior to the Initial Expiry Time and in accordance with the terms and conditions of the Offer free and clear of any and all liens, encumbrances, charges and rights and interests of third parties whatsoever;
- (c) to sell or surrender to the Company or exercise all options held by the Selling Shareholder to acquire Shares (the "**Options**") that have an exercise price less than the consideration offered pursuant to the Offer, and to forthwith surrender all remaining Options to the Company immediately following the time at which the Offeror shall have acquired ownership of and paid for at least that number of Shares equal to the Minimum Condition;

- (d) not to exercise any statutory or other rights of withdrawal with respect to any Shares owned by such Selling Shareholder once deposited pursuant to the Offer unless this letter agreement is terminated prior to the Offeror taking up the Shares under the Offer;
- (e) not to directly or indirectly initiate or propose any solicitation of Shareholders of the Company, and not to induce or attempt to induce any other person to initiate any shareholder proposal or "take-over bid" (exempt or otherwise), within the meaning of the *Securities Act* (Alberta), or other Acquisition Proposal subject to any fiduciary duties which may be applicable;
- (f) if applicable and pursuant to the terms of Section 8.4 of the Pre-Acquisition Agreement, to deliver to the Offeror, on or prior to the Initial Expiry Date, the resignation of the Selling Shareholder as a director, and to exercise the Selling Shareholder's reasonable efforts to obtain the resignations of such directors of the Company as the Offeror may designate in writing and exercise the Selling Shareholder's reasonable efforts to cause the nominees of the Offeror to be substituted therefor;
- (g) not to exercise any shareholder rights or remedies available at common law or pursuant to the *Business Corporations Act* (Alberta) or applicable securities legislation to delay, hinder, upset or challenge the Offer.

2. Expenses

The Offeror and the Selling Shareholder agree to pay their own respective expenses incurred in connection with this letter agreement.

3. Termination

It is understood and agreed that the respective rights and obligations hereunder of the Offeror and the Selling Shareholder shall cease and this letter agreement shall terminate in the event that (a) the Offer is not completed by September 30, 2001, or (b) the Pre-Acquisition Agreement is terminated by mutual agreement of the parties thereto or as a result of a breach of the Pre-Acquisition Agreement by the Offeror or by the operation of Section 11.1(i) of the Pre-Acquisition Agreement.

In the event of termination of this letter agreement, the Selling Shareholder may withdraw all of the Shares deposited in accordance with the terms and conditions of the Offer, this letter agreement shall forthwith be of no further force and effect and there shall be no liability on the part of either the Selling Shareholder or the Offeror, except to the extent that either such party is in default of its obligations herein contained.

4. Amendment

Except as expressly set forth herein, this letter agreement constitutes the whole of the agreement between the parties hereto and may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

5. Assignment

Except as expressly set forth herein, no party to this letter agreement may assign any of its rights or obligations under this letter agreement without the prior written consent of the other party.

6. Disclosure

Prior to first public disclosure of the existence and terms and conditions of this letter agreement, none of the parties hereto shall disclose the existence of this letter agreement or any details hereof to any person other than the Company, its directors and officers, without the prior written consent of the other parties hereto, except to the extent required by law. The existence and terms and conditions of this letter agreement may be disclosed by the Offeror and the Company in the press release issued in connection with the execution of the Pre-Acquisition Agreement and the Offer Documents and the directors circular prepared by the Company.

7. Enurement

This letter agreement will be binding upon and enure to the benefit of the Offeror and, the Selling Shareholder and their respective executors, administrators, successors and permitted assigns.

8. Applicable Law

This letter agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and each of the parties hereto irrevocably submits to the jurisdiction of the courts of the Province of Alberta.

9. Counterparts

This letter agreement may be signed in counterparts which together shall be deemed to constitute one valid and binding agreement and delivery of such counterparts may be effected by means of telecopier.

Yours truly,

Per: _____

Acceptance

The foregoing is hereby accepted as of and with effect from the _____ day of _____, 2001, and the undersigned hereby confirms that the undersigned beneficially owns _____ Shares and options to acquire a further _____ Shares.

Witness

Name:
Title:

SCHEDULE D

RETENTION BONUS PLAN

On May 9, 2001, the board of directors of Gulfstream considered a retention bonus plan (the "Retention Bonus Plan") as an incentive for Gulfstream personnel to remain in the employment and to work to ensure that the value obtained for the Corporation, should it be sold, is maximized. The Plan was formally approved on May 31, 2001. The terms provide for a payment of 1% of the increase in value of any transaction in excess of \$1.10 per share (as outlined in a letter to the Offeror dated May 31, 2001).

The pool is allocated to all employees and consultants (except J. Angus McKee and Roger A. Haines) based on a percentage point system, as set forth below.

Based on the purchase price of the contemplated transaction, the increase in value is \$1.55 per share and based on 68,210,129 fully diluted shares the total amount available under the Retention Bonus Plan is \$1,057,257. The award will not be paid in cash but instead by the issuance of 398,965 Gulfstream common shares, which, as a condition of issuance, the recipients will agree to tender to the Offer.

Bonus Plan Participant	Percentage Point of Plan
Gary Beagle*	14.29
Laurent Marechal	10.71
Kerry Fulton	10.00
Gregg Gulayets	8.57
Scott Barron	8.57
Ron Barmby	7.86
Jim Hart	5.00
Yunhon Yeung	5.00
Gary Griffin	4.29
Roy Symonds	4.29
Lance Mierendorf	3.57
Mike Cubrilo	3.57
Alain Ducatel	2.86
Carlo Dundero	2.86
Susan Doucette	2.86
Ted Tomes	2.86
Patricia Clarke	2.14
Moza Al Sharji	0.71
Total	100

* Indicates Officer of Gulfstream

SCHEDULE E

EXCEPTIONS

1. The Facility Agreement dated December 7, 2000 among Gulfstream Resources Limited (as Borrower), Gulfstream Resources Canada Limited (as Parent Company), Gulfstream Holdings Limited (as Holding Company) and Barclays Bank PLC (acting as Lender), as amended, including without limitation all agreements and documents in connection therewith provides that certain changes in ownership without Barclays Bank plc approval (not to be unreasonably withheld or delayed) constitute an event of default thereunder.
2. List of Employment Contracts
 - Lance Mierendorf – Gulfstream Resources Limited
 - Michael M. Cubrilo – Gulfstream Oman Limited
 - Alain Ducatel – Gulfstream Madagascar Limited
3. List and Brief Description of Change of Control Agreements
 - J. Angus McKee – Change In Control Agreement Effective June 20, 1995 between Gulfstream Resources Canada Limited and Mr. J. Angus McKee. This agreement provides, among other things, for certain payments to Mr. McKee in the event his employment with Gulfstream is terminated subsequent to a "change of control" of Gulfstream as defined in the agreement. Payments to Mr. McKee under the agreement may consist of base salary to the date of termination or compensation on an annualized basis pro-rated to the date of termination together with a lump sum payment of US \$3 million and immediate vesting of options. McKee's total direct or indirect annual compensation is currently \$450,000.
 - Roger A. Haines - Change In Control Agreement Effective June 20, 1995 between Gulfstream Resources Canada Limited and Mr. Roger A. Haines. This agreement provides, among other things, for certain payments to Mr. Haines in the event his employment with Gulfstream is terminated subsequent to a "change of control" of Gulfstream as defined in the agreement. Payments to Mr. Haines under the agreement may consist of base salary to the date of termination or compensation on an annualized basis pro-rated to the date of termination together with a lump sum payment of US \$1.5 million and immediate vesting of options. Mr. Haines' total direct or indirect annual compensation is currently \$296,000.
 - Gary J. Beagle - Should a Change of Control occur, eligible for a payment equal to three times annual salary, which equates to a payment of \$525,000 Cdn. Also participates in the Retention Bonus Plan.
4. Other Employee/Consultant Arrangements
 - Retention Bonus Plan - Should the company be acquired, a pool of shares will be issued to, and shared by, all the employees and consultants and such shares shall be in an amount equivalent to 1% of product obtained when the difference between the offer price per Gulfstream share and \$1.10 per share is multiplied by the total outstanding shares on a diluted basis (See Schedule D).
 - Stock Option Plan
 - Standard Professional Services Agreements - for each consultant to the Gulfstream group of companies

5. (a) Purchase and Sale Agreement made December 26, 1992 between Veba OEL Aktiengesellschaft and Gulfstream Resources Canada Limited.

(b) Subject to the terms of the agreement, Gulfstream may have an obligation to pay Veba \$2 million U.S., together with \$7,858,000 U.S. after cost recovery if a project is developed in the North field gas area by Gulfstream.
6. In 1999, Revenue Canada Taxation advised Gulfstream that they intended to revise the valuation used in 1994 by Gulfstream as a transfer price for the Qatar assets. In December, 1999, Gulfstream and Revenue Canada Taxation reached an agreement whereby the revised valuation would have no requirement for Gulfstream to pay any incremental taxes on the transfer and a "Nil" reassessment was received in 2000 covering the applicable period.
7. On June 11, 2001, the Consortium received notification from the Government of Qatar that Block 13 was no longer under Force Majeure (which resulted from a border dispute with Bahrain in the mid 1980's). The Operator estimates that pursuant to the decision of the arbitration tribunal in connection therewith, the Consortium has 8 years to complete any exploration activities.
8. On April 9, 2001, Gulfstream entered into an agreement with CIBC World Markets to provide financial advice and assist Gulfstream in financing, subject to fees for fairness opinion(s), defense, and transactions. Obligations to pay fees is limited to a single transaction.
9. On September 8, 1999, Gulfstream entered into an agreement to provide a subordinated performance guarantee to a foreign government to a maximum of U.S.\$2 million , on behalf of Jehan Energy Limited in exchange for cash, 10, 000 shares and options to acquire an additional 40,000 shares of Jehan for U.S.\$15 per share. As of February, 2001, all obligations of Gulfstream were released. In May, 2001, Gulfstream advised Jehan they would exercise the option at a cost of U.S.\$600,000. Jehan had declared a dividend of \$5 per share payable to all shareholders, including options for shares if the holder agreed to exercise such option. Proceeds from the dividend is being used to reduce the net cost of the share option to U.S.\$350,000, payable by the end of June.
10. Effective March 21, 2001, Gulfstream entered into an agreement with Bowden Consultancy Services Limited, a corporation controlled by Patrick de Pelet, a director of Gulfstream. Bowden is entitled to per diem payments in addition to a fee based on the principal amount of debt finance for a term of 12 months. In the event of early termination of the agreement by Gulfstream, Bowden will be entitled to receive a payment based on 0.5% of the principal amount of debt financing secured in respect of the Al Rayyan field and the Hafar gas development, during the original term of the consultancy agreement, provided that it would be reasonable to conclude that the efforts of, or work performed by, Mr. de Pelet reasonably contributed to such debt financing.
11. Gulfstream has held a 10% interest in two blocks on and offshore the northern coast of Somolia since the mid 1980's. The interest is carried for the minimum work commitment (two wells). This area has been in force majeure since the late 1980's. On November 20, 1990, following a claim by Murphy Oil against Gulfstream and IPC for a purported failure to carry out certain drilling obligations in the Concession Area, the Arbitral Tribunal awarded in favour of Gulfstream and IPC and dismissed Murphy's claim by virtue of the force majeure condition.

SCHEDULE F

MATERIAL AGREEMENTS

A. Barclays Bank Financing Documents

1. Commitment Letter dated October 27, 2000
2. Commitment Letter for Additional Tranche dated January 19, 2001
3. Facility Agreement dated December 7, 2000
4. Facility Agreement First Amendment Agreement dated February 15, 2001
5. Accounts Agreement dated December 7, 2000
6. Accounts Agreement First Amendment Agreement dated February 15, 2001
7. Debenture dated December 7, 2000
8. Deeds of Shares Pledge and Assignment dated December 7, 2000
9. Deed of Accession to Facility Agreement dated February 15, 2001
10. Deed of Accession to Accounts Agreement dated February 15, 2001
11. Master Security Document dated December 7, 2000

B. Share Purchase from BG Overseas Limited relating to the entire issued capital of British Gas Qatar Limited (Al Rayyan, Area 2)

1. Share Sale and Purchase Agreement dated November 21, 2000
2. Amending Agreement not dated
3. Amending Agreement Number 2 not dated
4. Pre-emption Agreement dated January 9, 2001
5. Subsequent Pre-emption Agreement dated January 9, 2001

C. Jehan/British Borneo Transaction

1. Letter Agreement dated September 8, 1999
2. Deed of Undertaking and Indemnity dated September 8, 1999 given in favour of Gulfstream Resources Canada Limited by Jehan Energy Limited
3. Letter Agreement dated September 10, 1999
4. Deed of Release dated February 26, 2001

D. Asset Purchase from Wintershall (Al Rayyan, Area 2)

1. Asset Sale and Purchase Agreement dated September 13, 2000
2. Memorandum of Understanding Block 11, Qatar dated July 18, 2000

E. Chieftain Transaction

1. Option Agreement dated October 13, 2000

F. Various Operational/Consortium Agreements

1. Operatorship and Pipeline Agreement dated October 20, 1994
2. Letter of Undertaking dated November 17, 1997 respecting repayment of Gulfstream 5% Carried Interest
3. Settlement Agreement dated September 30, 1998
4. New Entitlements Agreement made effective May 31, 1996
5. Amended and Restated Escrow Agreement dated September 30, 1998
6. Assignment of Cost Recovery Entitlement dated October 20, 1994
7. Wintershall/ARCO Agreement dated October 1994
8. Provisional Payment – Letter Agreement dated May 23, 2001 between Gulfstream Resources Limited and BP Oil International Limited regarding the forward sale of crude oil, provisional payment, final net payment together with a financing charge.
9. Arbitration Tribunal Awards dated May 30, 1988.
10. International Court of Justice Ruling on Bahrain/Qatar Border dispute issued March 16, 2001.

G. Al Rayyan and Area 2

1. Exploration and Production Sharing Agreement Qatar Offshore dated April 10, 1976 as amended, varied and/or supplemental
2. Al - Rayyan Crude Oil Lifting Agreement dated May 21, 1997
3. Management Committee Resolution No. 1/96 "Area (E) – Oil Appraisal and Development" dated March 17, 1996
4. Management Committee Resolution No. 2/96 "Al-Rayyan Field Plan Development" dated June 17, 1996
5. Management Committee Resolution No. 3/96 "Delineation Activities" dated June 17, 1996

6. Parent Company Performance Guarantee dated August 7, 1997
7. Operating Agreement Qatar Offshore dated July 25, 1973 as amended, varied and/or supplemental
8. QGPC – ARCO Marketing Agreement for Al - Rayyan Crude Oil dated January 1, 2000 as amended, varied and/or supplemented
9. Al – Rayyan Crude Oil Marketing Agreement dated January 1, 2000 as amended, varied and/or supplemented
10. Al Rayyan Crude Oil Term Agreement from May 1, 2001 to April 30, 2002 and dated March 8, 2000 between Qatar Petroleum and BP Oil International Ltd. as Buyer.
11. Contract Assignment dated January 15, 2001.

H. Block 11

1. Exploration and Production Sharing Agreement for Offshore Block 11 dated July 16, 1997 as amended, varied and/or supplemented
2. Parent Company Guarantee dated July 16, 1997
3. Operating Agreement Block 11 Offshore Qatar dated July 16, 1997 as amended, varied and/or supplemented
4. Operatorship Transfer Agreement dated November 30, 2000
5. Purchase and Sale Agreement between ARCO Qatar Exploration Co. Inc. and Gulfstream Resources Limited dated May 3, 2000
6. Sale and Purchase Agreement between Preussag Energy GmbH and Gulfstream Resources Limited dated November 30, 2000

I. Veba Transaction

1. Purchase and Sale Agreement dated December 26, 1992

J. EPSA Oman Block 30

1. Exploration and Production Sharing Agreement dated July 26, 1997
2. Gas Sales Agreement dated June 6, 2000

K. Madagascar Conventions

1. Convention for Antonibe Offshore Area/Convention Region au Large Des Cotes D'Antonibe dated June 4, 1997
2. Convention for Tsiribihina Area/Convention Region Cotiere de Tsiribihina dated June 4, 1997

L. Change in Control Agreements

1. Change in Control Agreement effective June 20, 1995 between Gulfstream Resources Canada Limited and Mr. J. Angus McKee
2. Change in Control Agreement effective June 20, 1995 between Gulfstream Resources Canada Limited and Mr. Roger A. Haines

M. Somalia

1. Concession Agreement for the Exploration and Mining of Hydrocarbons in Block 35 dated January 21, 1986 as amended, varied and/or supplemented.

N. Other

1. Muscat Overseas Agency Agreement dated March 11, 1996 as amended varied and/or supplemented
2. CIBC Engagement Letter dated April 9, 2001
3. Bowden Consulting Services Limited effective March 23, 2001

SCHEDULE G

SUBSIDIARIES

<u>Subsidiaries</u>	<u>Subsidiary of</u>	<u>Beneficial Shareholder Position</u>
Gulfstream Holding Limited (Cyprus)	Canada	100% direct
Gulfstream Resources Limited (Cyprus)	Holdings	100% indirect
Gulfstream Madagascar Limited (Cyprus)	Holdings	100% indirect
Gulfstream Trading limited (Cyprus)	Holdings	100% indirect
Gulfstream Resources Offshore Limited (Bermuda)	Holdings	100% indirect
Gulfstream Resources Oman Limited (Bermuda)	Holdings	100% indirect
Gulfstream Madagascar Limited (Bermuda)	Holdings (shell)	100% indirect
Gulfstream Transportation Co Limited (Cyprus)	Gulfstream Resources	100% indirect
Gulfstream Qatar Limited (UK)	Gulfstream Resources	100% indirect
Bounty Exploration U.S.A. Inc. (Texas)	Canada (shell)	100% direct

Note: Gulfstream's corporate organization chart previously provided as Disclosed Information