

**CANADIAN SUPERIOR ENERGY INC.
CONSOLIDATED BALANCE SHEETS**

<i>(\$ thousands)</i>	March 31 2008	December 31 2007
	(unaudited)	(audited)
Assets (note 8)		
Current		
Cash and short-term investments	5,647	13,658
Accounts receivable	66,333	36,448
Prepaid expenses and deposits	2,773	2,571
	74,753	52,677
Nova Scotia offshore term deposits (note 5)	14,559	14,559
Long term portion of lease prepayment (note 6)	1,164	1,309
Goodwill (note 4)	10,365	--
Property, plant and equipment, net (note 4,7)	230,709	186,154
	331,550	254,699
Liabilities		
Current		
Accounts payable and accrued liabilities	44,490	22,230
Revolving credit facility (note 8)	40,786	17,784
Fair value of financial instruments (note 17)	796	--
	86,072	40,014
Convertible preferred shares (note 9)	14,198	13,571
Asset retirement obligations (note 10)	12,864	11,325
Future income taxes (note 11)	14,507	8,853
	127,641	73,763
Contingencies and commitments (note 18)		
Shareholders' Equity		
Share capital (note 12)	210,242	186,557
Equity portion of preferred shares (note 12)	2,320	2,320
Contributed surplus (note 12)	15,465	14,314
Deficit	(24,118)	(22,255)
	203,909	180,936
	331,550	254,699

See accompanying notes to the consolidated financial statements

On behalf of the Board,

(Signed) "Craig McKenzie"

Craig McKenzie
Director

(Signed) "Alex Squires"

Alex Squires
Director

CANADIAN SUPERIOR ENERGY INC.
CONSOLIDATED STATEMENT OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
For the three months ended March 31

<i>(\$ thousands, except per share amounts)</i>	2008	2007
Revenue		
Petroleum and natural gas sales	16,146	12,756
Transportation	(214)	(158)
Royalties	(3,324)	(2,316)
	12,608	10,282
Interest and other income	207	232
	12,815	10,514
Expenses		
Operating	2,091	2,073
General and administrative	2,371	1,924
Stock based compensation <i>(note 12)</i>	1,595	1,789
Depletion, depreciation and accretion	8,685	6,648
Interest	1,041	557
Foreign exchange gain	(1,153)	(76)
	14,630	12,915
Loss before income taxes	(1,815)	(2,401)
Income taxes (reduction)		
Current	120	--
Future income tax reduction	(72)	(2,272)
	48	(2,272)
Net loss and comprehensive loss	(1,863)	(129)
Deficit, beginning of period	(22,255)	(12,319)
Deficit, end of period	(24,118)	(12,448)
Basic and diluted loss per share <i>(note 12)</i>	(\$0.01)	\$0.00

See accompanying notes to the consolidated financial statements

CANADIAN SUPERIOR ENERGY INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended March 31

<i>(\$ thousands)</i>	2008	2007
Cash provided by (used in):		
Operating		
Net loss	(1,863)	(129)
Items not involving cash:		
Depletion, depreciation and accretion	8,685	6,648
Stock based compensation	1,595	1,789
Share dividends paid on preferred shares	222	495
Accretion expense on preferred shares	102	104
Future income tax reduction	(72)	(2,272)
Change in the carrying cost of preferred shares	525	(165)
	9,194	6,470
Changes in non-cash working capital <i>(note 14)</i>	(3,310)	(2,100)
	5,884	4,370
Financing		
Issue of common shares	1,236	1,071
Issue of Nova Scotia offshore term deposits	--	(120)
Revolving credit facility advances	23,002	7,541
Changes in non-cash working capital <i>(note 14)</i>	164	--
	24,402	8,492
Investing		
Exploration and development expenditures	(11,992)	(12,319)
Acquisition, net of cash and working capital acquired <i>(note 4)</i>	(22,565)	--
Change in non-cash working capital <i>(note 14)</i>	(3,740)	3,585
	(38,297)	(8,734)
Increase (decrease) in cash and short-term investments	(8,011)	4,128
Cash and short-term investments, beginning of period	13,658	7,338
Cash and short-term investments, end of period	5,647	11,466

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

(all tabular amounts in \$ thousands, except where otherwise noted)

1. Nature of operations

Canadian Superior Energy Inc. ("Canadian Superior" or the "Company") is engaged in the exploration for, and acquisition, development and production of petroleum and natural gas primarily in Western Canada and offshore Nova Scotia, Canada and Trinidad and Tobago.

2. Summary of accounting policies

These unaudited interim consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), following the same accounting policies and methods of computation as the audited consolidated financial statements of Canadian Superior for the year ended December 31, 2007. In these financial statements, certain disclosures that are required to be included in the notes to the December 31, 2007 audited consolidated financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2007.

Certain comparative amounts have been reclassified to conform to current period presentation.

3. Adoption of new accounting policies

On January 1, 2008, the Company prospectively adopted CICA Section 1535 Capital Disclosures. This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing its capital structure. The disclosures have been included in Note 13.

On January 1, 2008, the Company prospectively adopted the following two new CICA standards: Financial Instruments - Disclosures (Section 3862) and Financial Instruments - Presentation (Section 3863), which replace Financial Instruments - Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements.

The Canadian Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada will converge with the International Financial Reporting Standards ("IFRS") by 2011 and the Company will be required to report according to IFRS standards for the year ended December 31, 2011. The Company is currently assessing the impact of the convergence of Canadian GAAP with IFRS on the Company's results of operations, financial position and disclosures.

4. Acquisition

On March 26, 2008, Canadian Superior closed the acquisition of Seeker Petroleum Ltd. ("Seeker"), a private company for consideration of approximately \$51.6 million. The purchase was funded through the issuance of common shares of the Company and advances from the credit facility.

The acquisition was accounted for under the purchase method as follows:

Consideration	
Cash	22,211
Common shares (7,651,866)	28,465
Transaction costs	887
	<hr/>
	51,563

4. Acquisition (continued)

Net assets received at fair value	
Cash	1,716
Working Capital	(387)
Fair value of financial instruments	(796)
Property, plant and equipment	40,953
Goodwill	10,365
Asset retirement obligation	(1,243)
Future income taxes	955
	51,563

5. Nova Scotia offshore term deposits

Under the terms of the licenses referred to in Note 18, the Company has assigned term deposits totalling \$14.6 million (2007 - \$14.6 million). Accordingly, this amount has been classified as a non-current asset. To the extent that the expenditures are not incurred within the period allowed, the Company would forfeit its proportionate share of any remaining deposits relating to the unexpended work commitment. The following table summarizes the work commitment and work deposit which would be forfeited in proportion to the amount of work commitment not completed by the expiry date:

License	Work Deposit (\$)	Remaining Commitment (\$)	Expiry Date
EL 2406	11,032,500	40,962,046	December 31, 2008
EL 2415	3,214,250	12,857,000	December 31, 2008
EL 2416	312,500	1,250,000	December 31, 2008
Total	14,559,250	55,069,046	

6. Long term portion of lease prepayment

In February 2007, the Company paid a lump payment to acquire new office space with lease payments under the prevailing lease rates. This lump payment is being allocated over the life of the lease with any portions more than a year in advance being classified as a long term asset. As at March 31, 2008 there are 36 months left on the lease with 24 months classified as a long term asset.

7. Property, plant and equipment, net

	March 31, 2008			December 31, 2007		
	Cost	Accumulated DD&A	Net book value	Cost	Accumulated DD&A	Net book value
Oil and Gas						
Canada	326,263	126,012	200,251	278,624	117,491	161,133
Trinidad	30,273	--	30,273	24,836	--	24,836
	356,536	126,012	230,524	303,460	117,491	185,969
Corporate assets	844	659	185	883	698	185
Total PP&E	357,380	126,671	230,709	304,343	118,189	186,154

The calculation of depletion and depreciation included an estimated \$7.5 million (March 31, 2007 - \$9.3 million) for future development capital associated with proven undeveloped reserves and excluded \$48.8 million (March 31, 2007 - \$69.0 million) related to unproved properties and projects under construction or development. Of the costs excluded \$9.8 million (March 31, 2007 - \$22.2 million) relates to Western Canada, \$8.7 million (March 31, 2007 - \$8.5 million) to East Coast Canada and \$30.3 million (March 31, 2007 - \$38.3 million) to Trinidad and Tobago.

The Company is in the process of negotiating the recovery of Trinidad drilling costs relating to drilling problems on the Victory well on "Intrepid" Block 5(c) offshore Trinidad.

7. Property, plant and equipment, net (continued)

On August 11, 2007, Canadian Superior farmed out a portion of its interest in the "Intrepid" Block 5(c) Production Sharing Contract ("PSC") offshore Trinidad and Tobago. The farmee paid US\$38.7 million to the Company representing their share of certain capital and administrative costs incurred by Canadian Superior. This transaction has been recorded as reduction to Trinidad capital and general and administrative costs in 2007 (Note 18).

During the three months ended March 31, 2008, the Company capitalized \$1.8 million of general and administrative ("G&A") expenses (2007 - \$1.8 million) related to exploration and development activities.

The Company performed a ceiling test calculation at March 31, 2008 resulting in the undiscounted cash flows from proved reserves and the lower of cost and market of unproved reserves exceeding the carrying value of oil and gas assets.

8. Revolving credit facility

The Company has a \$45 million demand revolving credit facility (the "credit facility"). The credit facility is secured by a \$100 million first floating charge demand debenture on the assets of the Company and a general security agreement covering all of the assets of the Company. The credit facility has covenants that require the Company to maintain its working capital ratio at 1:1 or greater, tangible net worth to total liabilities at 1.5:1.0 or greater and tangible net worth at greater than \$100 million while the credit facility is outstanding. The borrowing base of the credit facility is subject to an annual review by the lender. As at March 31, 2008, the Company had drawn \$40.8 million (December 31, 2007 - \$17.8 million) against the credit facility at a variable interest rate of prime plus 1.0% (December 31, 2007 – prime plus 1.0%).

9. Convertible preferred shares

On February 1, 2006, the Company completed a private placement in the amount of US\$15.0 million by way of the issuance of Units consisting of 5% US Cumulative Redeemable Convertible Preferred Shares (the "Preferred Shares") and Common Share Purchase Warrants. Each Preferred Share will be convertible into forty Common Shares of Canadian Superior (6,000,000 Common Shares in aggregate) at a price of US\$2.50 per Common Share. If Canadian Superior elects, it also has the option to pay the quarterly dividend by way of issuance of Common Shares at market, based on a 5.75% annualized dividend rate in lieu of the 5% annualized cash dividend rate. In addition, the Preferred Shares are redeemable and retractable five years from the date of issue or earlier, subject to earlier redemption or retraction in certain events. The Company, issued 15,000 Units, each consisting of 10 US\$100 Preferred Shares and 1,200,000 Common Share Purchase Warrants. The Warrants comprising part of the Units are exercisable for a period of thirty six months from the date of issue at an exercise price of US \$3.00 per Common Share.

The following table summarizes the face and carrying value of the liability and equity component of the convertible preferred shares:

	Liability component		Equity component
	Face value	Carrying value	Fair value
Balance, December 31, 2006	17,053	15,472	2,320
Foreign exchange	--	(2,343)	--
Accreted non-cash interest	--	442	--
Balance, December 31, 2007	17,053	13,571	2,320
Foreign exchange	--	525	--
Accreted non-cash interest	--	102	--
Balance, March 31, 2008	17,053	14,198	2,320

10. Asset Retirement Obligations

The following table presents the reconciliation of the carrying amount of the obligations associated with the retirement of the property, plant and equipment:

	Three months ended March 31 2008	Twelve months ended December 31 2007
Balance, beginning of period	11,325	9,482
Liabilities settled	--	(319)
Liabilities assumed upon acquisition	1,243	--
Liabilities incurred	93	1,352
Accretion expense	203	810
Balance, end of period	12,864	11,325

The following significant assumptions were used to estimate the asset retirement obligation:

	Three months ended March 31 2008	Twelve months ended December 31 2007
Undiscounted cash flows	19,997	19,691
Credit adjusted discount rate (%)	7.60	7.62
Inflation rate (%)	1.50	1.50
Weighted average expected timing of cash flows (years)	17.4	17.5

11. Future Income Taxes

The Company's computation of future income tax expense (recovery) is as follows:

March 31,	2008	2007
Loss before income taxes	(1,815)	(2,401)
Combined federal and provincial income tax rate (%)	29.5	34.0
Computed income reduction	(536)	(816)
Increase (decrease) resulting from:		
Stock based compensation	471	608
Part X11.6 tax	(35)	--
Tax adjustment – rate change and other	28	(2,064)
	(72)	(2,272)

The net future tax liability is comprised of:

	March 31 2008	December 31 2007
Non-capital loss carryforwards	(816)	(817)
Asset retirement obligations	(3,537)	(3,114)
Share issue costs	(1,071)	(1,127)
Net book value of assets in excess of tax basis	25,911	18,537
Foreign exploration expense	(5,769)	(4,413)
Other	(211)	(213)
	14,507	8,853

11. Future Income Taxes (continued)

As at March 31, 2008, the Company had approximately \$174.7 million in tax pools and \$3.2 million in non-capital losses available for deduction against future taxable income.

Non-capital losses expire as follows:

2008	--
2009	--
2010	--
2011 and thereafter	3,190
	<u>3,190</u>

12. Share Capital

(a) Authorized

Unlimited number of common shares, no par value.

Unlimited number of preferred shares, no par value.

(b) Common shares issued

	March 31, 2008		December 31, 2007	
	Number(#)	Amount(\$)	Number(#)	Amount(\$)
Balance, beginning of period	140,312	186,557	131,216	161,964
Issued upon acquisition of Seeker Petroleum	7,652	28,465	--	--
Issued upon the conversion of purchase warrants	--	--	500	1,385
Issued upon the exercise of stock options	578	1,240	1,864	3,518
Issued for preferred share dividend	67	222	259	712
Issued for cash on flow-through shares	--	--	6,473	22,654
Issue costs, net of future tax reduction	--	(3)	--	(889)
Tax benefits renounced on flow-through-shares	--	(6,683)	--	(4,241)
Stock based compensation for exercised options	--	444	--	1,454
Balance, end of the period	<u>148,609</u>	<u>210,242</u>	<u>140,312</u>	<u>186,557</u>

On November 16, 2007, the Company completed a private placement of 6,472,500 flow-through common shares at \$3.50 per share for gross proceeds of \$22.7 million.

On December 31, 2007, 500,000 warrants were exercised into 500,000 common shares at US\$2.50 per share for gross proceeds of US\$1.3 million.

On March 26, 2008, the Company issued 7,651,866 common shares as part of the acquisition of Seeker Petroleum.

(c) Stock options

The Company has a stock option plan for its directors, officers, employees and key consultants. The exercise price for stock options granted is no less than the quoted market price on the grant date with options vesting in equal increments over a three year period. An option's maximum term is ten years.

	March 31, 2008		December 31, 2007	
	Number of options	Weighted average price (\$)	Number of options	Weighted average price (\$)
Balance, beginning of period	15,489	2.27	12,965	2.05
Forfeited	--	--	(875)	2.45
Exercised	(578)	2.13	(1,864)	1.89
Granted	1,850	3.52	5,263	2.70
Balance, end of the period	<u>16,761</u>	<u>2.40</u>	<u>15,489</u>	<u>2.27</u>

12. Share Capital (continued)

The following table summarizes stock options outstanding under the plan at March 31, 2008:

Exercise price (\$)	Options outstanding			Options exercisable	
	Number of options (#)	Average remaining contractual life (years)	Weighted average exercise price(\$)	Number of options(#)	Weighted average exercise price(\$)
0.80-1.00	97	2.32	0.81	97	0.81
1.01-1.50	865	4.48	1.24	865	1.24
1.51-2.00	2,765	6.29	1.77	2,765	1.77
2.01-3.00	10,859	7.87	2.45	8,595	2.41
3.01-3.80	2,175	9.25	3.45	191	3.19
0.80-3.80	16,761	7.59	2.40	12,513	2.19

The following table summarizes stock options outstanding under the plan at December 31, 2007:

Exercise price (\$)	Options outstanding			Options exercisable	
	Number of options (#)	Average remaining contractual life (years)	Weighted average exercise price(\$)	Number of options(#)	Weighted average exercise price(\$)
0.80-1.00	97	2.57	0.81	97	0.81
1.01-1.50	925	4.73	1.30	925	1.30
1.51-2.00	2,892	6.54	1.78	2,736	1.78
2.01-3.00	11,150	8.12	2.45	8,864	2.40
3.01-3.50	425	9.15	3.18	191	3.21
0.80-3.50	15,489	7.63	2.27	12,813	2.19

(d) Stock based compensation

The Company uses the fair value method to account for its stock based compensation plan. Under this method, compensation costs are charged over the vesting period for stock options granted to directors, officers, employees and consultants, with a corresponding increase to contributed surplus.

The following table reconciles the Company's contributed surplus:

	March 31, 2008	December 31, 2007
Balance, beginning of period	14,314	11,372
Issuance of stock options	1,595	4,218
Exercise of stock options	(444)	(1,454)
Expiry of warrants	--	178
Balance, end of period	15,465	14,314

The fair value of options granted during the period was estimated based on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	March 31, 2008	December 31, 2007
Risk free interest rate (%)	4.1	4.1
Expected life (years)	5.0	10.0
Expected dividend yield (%)	--	--
Expected volatility (%)	64	41.7
Weighted average fair value of options granted (\$)	1.65	1.57

12. Share Capital (continued)

(e) Employee stock savings plan

The Company has an employee stock savings plan ("ESSP") in which employees are provided with the opportunity to receive a portion of their salary in common shares, which is then matched on a share for share basis by the Company. The Company purchased approximately 25,963 shares under the ESSP in the first quarter of 2008 (2007 – 25,952).

(f) Basic and diluted loss per share

The Company used the treasury stock method to calculate net loss per common share.

March 31,	2008	2007
(thousands, except per share amounts)		
Weighted average common shares – basic and diluted	141,108	131,399
Basic and diluted loss per share	(\$0.01)	\$0.00

For the calculation of diluted net loss per share the Company excluded the following securities that are anti-dilutive:

March 31,	2008	2007
(thousands)		
Stock options	16,761	13,265
Convertible preferred shares	15,000	15,000
Warrants	--	500

(g) Equity portion of preferred shares

Warrant equity on preferred shares	351
Conversion equity on preferred shares	1,969
Balance, March 31, 2008 and December 31, 2007	2,320

13. Capital Disclosures

The Company manages its capital to ensure that it has the financial capacity, liquidity and flexibility to fund investment in exploration and development of the Company's onshore and offshore properties. The Company relies on cash flow from operations, credit facility availability and equity offerings to fund its capital investments. The Company's capital objectives are to maintain sufficient undrawn credit capacity to provide liquidity and to ensure that the Company is in compliance with its covenants to ensure availability of credit utilization. The Company has the ability to change its capital structure by issuing additional debt or equity and through adjustments to our capital programs.

The Company monitors its capital structure by reviewing the ratio of net debt to trailing twelve month cash flow from operations. Net debt and cash flow from operations are non-GAAP measures which are calculated using the following GAAP measures;

	March 31 2008
Cash and short-term investments	5,647
Accounts receivable	66,333
Prepaid expense and deposits	2,773
Accounts payable and accrued liabilities	(44,490)
Revolving credit facility	(40,786)
Fair value of financial instruments	(796)
Net Debt	(11,319)

13. Capital Disclosures (continued)

	Twelve months ended March 31 2008
Net loss	(11,670)
Depletion, depreciation and accretion	28,632
Stock based compensation	4,024
Share dividends paid on preferred shares	438
Accretion expense on preferred shares	440
Future income tax reduction	(3,813)
Change in the carrying cost of preferred shares	(1,653)
Forfeiture of Nova Scotia offshore term deposits	500
Loss on abandonment	42
Asset retirement expenditures	(361)
Cash flow from operations	16,579

	Twelve months ended March 31 2008
Net debt	(11,319)
Cash flow from operations	16,579
Net debt to trailing cash flow from operations	0.68:1

For the twelve months ended March 31, 2008, the Company's net debt to twelve month trailing cash flow from operations was 0.68:1. The Company targets to have a ratio of 1.5 to 1 or lower on net debt to twelve month trailing cash flow from operations.

14. Supplemental cash flow information

a) Changes in non-cash working capital

March 31,	2008	2007
Accounts receivable	(29,885)	8,180
Prepaid expenses	(202)	(434)
Long term portion of lease prepayment	145	(1,745)
Accounts payable and accrued liabilities	22,260	(4,516)
Fair value of financial instruments	796	--
Change in non-cash working capital	(6,886)	1,485

The change in non-cash working capital has been allocated to the following activities:

March 31,	2008	2007
Operating	(3,310)	(2,100)
Financing	164	--
Investing	(3,740)	3,585
	(6,886)	1,485

14. Supplemental cash flow information (continued)

b) Other cash flow information

March 31,	2008	2007
Interest paid	659	557
Taxes paid	--	--

15. Related parties transactions

During the three months ended March 31 2008, the Company paid \$0.5 million (2007 - \$0.3 million), on industry terms, for equipment rentals to a company controlled by an officer and director of Canadian Superior. Also during 2007, the Company invoiced \$0.2 million (2007 - nil), at market rates, to this related party company for payroll services.

At March 31, 2008, Canadian Superior is carrying a receivable in the amount of US\$15.0 million (December 31, 2007 – US\$19.7 million) from a company which one of Canadian Superior's officers and directors is a shareholder and director. These receivables pertain to transactions for Canadian Superior's "Intrepid" Block 5(c) project at Trinidad (note 18). These transactions were incurred under normal industry terms and conditions.

16. Financial Instruments

Cash, short-term investments and Nova Scotia offshore term deposits are classified as financial assets held for trading and are measured at their fair value. Gains or losses related to periodic revaluation are recorded to net income or loss.

Accounts receivable are classified as loans and receivables and are initially measured at their fair value. Subsequent periodic revaluations are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities, revolving credit facility and convertible preferred shares are classified as other liabilities and are initially measured at fair value. Subsequent periodic revaluations are recorded at their amortized cost using the effective interest rate method.

Derivatives are classified as held for trading and measured at their fair value. Gains or losses related to periodic revaluation are recorded to net income or loss

17. Risk Management

In order to manage the Company's exposure to commodity price, interest rate and foreign exchange risk, the Company developed a risk management policy. Under this policy, it may enter into agreements, including fixed price, forward price, physical purchases and sales, futures, currency swaps, financial swaps, option collars and put options. The Company's Board of Directors evaluates and approves the need to enter into such arrangements.

(a) Credit risk

The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business under normal industry sale and payment terms and are subject to normal credit risks. Purchasers of the Company's oil, gas and natural gas liquids are subject to an internal credit review to minimize the risk of nonpayment.

(b) Foreign exchange risk

The Company is exposed to foreign currency fluctuations as oil and gas prices received are referenced to U.S. dollar denominated prices and convertible preferred shares are denominated in U.S. dollars. In addition, the Company purchases significant amounts of property, plant and equipment denominated in U.S. dollars for the Company's Trinidad operations. At this time, the Company has chosen not to enter into any risk management agreements to mitigate foreign exchange risk.

(c) Interest rate risk

The Company is exposed to interest rate risk as the credit facility bears interest at floating market interest rates. The Company has no interest rate swaps or hedges to mitigate interest rate risk at March 31, 2008.

17. Risk Management (continued)

(d) Commodity price risk

The Company is exposed to fluctuations in prices for natural gas, crude oil and natural gas liquids, as the majority of the Company's production is currently sold at spot prices that are subject to volatile trading activity. Commodity prices fluctuate in response to, among other things, domestic and foreign supply and demand, import and export balances, government regulations, weather, and fluctuations in the availability and price of other replacement energy sources. A significant drop in commodity prices could materially impact the Company's petroleum and natural gas sales, the volume of production it could produce economically, require downward adjustments to proved reserves and could materially impact the Company's financial condition. In addition, a substantial decrease in commodity prices could impact the Company's borrowing base under the credit facility, therefore reducing the credit facility available, and in some instances, require a portion of the credit facility to be repaid.

The Company enters into commodity sales agreements and certain derivative financial instruments to reduce its exposure to commodity price volatility. These financial instruments are entered into solely for hedging purposes and are not used for trading or other speculative purposes. At March 31, 2008, the following commodity price risk contract was in place:

Term	Contract	Volume (GJs/d)	Fixed price	Unrealized loss at March 31, 2008
Feb 1, 2008 – October 31, 2008	Swap	2,000	\$7.05	(796)

The estimated fair value of this contract was determined based on estimates from a third party broker.

18. Contingencies and commitments

a) Nova Scotia

Since 2000, the Company has acquired several exploration licenses from the Canada-Nova Scotia Offshore Petroleum Board ("CNSOPB"). Each of these licenses is for a specific period of nine years, subject to certain requirements being met during the first five years or six years. As a condition of the licenses, the Company is required to post security in the amount of 25% of its work expenditure bids. The deposit is refundable only to the extent of approved allowable expenditures. The duration of the initial five year term, for a given license, can be extended one additional year to six years by posting an additional security drilling deposit in an amount of \$250,000. Recently the CNSOPB implemented an additional extension program that allows the six year period to be further extended up to nine years by payment of annual extension fees. As of March 31, 2008, as a result of the Company incurring certain expenditures and drilling two exploration wells, the Company had fully fulfilled its work expenditures on two of the exploration licenses, allowed three licenses to return to the Crown, extended one license and held the remaining two under the regular licensing process. At March 31, 2008, the Company's owned 100% of five exploration licenses that have aggregate work expenditure outstanding of \$55.1 million and \$14.6 million in term deposits assigned to the Canadian Receiver General through the CNSOPB (Note 5).

b) Trinidad and Tobago

The Company is committed to drill three exploration wells on its "Intrepid" Block 5(c) under its Block 5(c) Production Sharing Contract ("PSC") with the Government of Trinidad and Tobago funded in part by a related party participating on a promoted basis, paying 1/3 of Canadian Superior's Block 5(c) exploration program, plus other considerations, to obtain 25% of Canadian Superior's net revenue share from this block; and, also by a non-related party paying approximately 40% of the exploration cost, plus other considerations, for a 30% interest in the Block 5(c) PSC. The Company has contracted the Kan Tan IV Semi-Submersible Drilling Rig for a three well commitment on the Company's Trinidad and Tobago "Intrepid" Block 5 (c). In 2008, the Company completed the drilling and evaluation of the first well and currently is in the process of drilling the second well of the three well program. The Company estimates that the costs to drill the second and third wells to be in the range of US \$65.0 million to US \$75.0 million gross per well.

18. Contingencies and commitments (continued)

In 2007, the Company received an exploration and development license from the Government of Trinidad and Tobago on the Mayaro-Guayaguayare block ("MG Block") and as a result is committed to conducting 3D seismic and to drill two exploration wells on the MG block in a joint venture with the Petroleum Company of Trinidad and Tobago Limited ("Petrotrin"). The first well has to be drilled to a depth of 3,000 meters by January 2010 and the second to a depth of 1,800 meters by July 2010. The Company estimates that its share of the cost of these wells to be in the range of US \$15.0 million per well, with the 3D seismic program to be completed in 2008 or early 2009 at a net cost to the Company of approximately US\$ 20.0 million.

c) Flow-through shares

At March 31, 2008, the Company had yet to incur approximately \$21.7 million of Canadian exploration expenses which were renounced for tax purposes. These expenses must be incurred by December 31, 2008.

d) Litigation and claims

The Company is involved in various claims and litigation arising in the ordinary course of business. In the opinion of Canadian Superior the various claims and litigations arising there from are not expected to have a material adverse effect on the Company's financial position. The Company maintains insurance, which in the opinion of the Company, is in place to address any unforeseen claims.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of May 12, 2008 and reviewed and approved by the Board of Directors of Canadian Superior Energy Inc. ("Canadian Superior" or the "Company"). This MD&A is a review of the operational results of the Company with disclosure of oil and gas activities in accordance with Canadian Securities Association National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and a review of financial results of the Company based on Canadian Generally Accepted Accounting Principles ("GAAP"). The reporting currency is the Canadian dollar. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the three months ended March 31, 2008 and the audited consolidated financial statements and MD&A for the year ended December 31, 2007.

Non-GAAP Measures – This MD&A contains the term cash flow from operations and operating netback, which are non-GAAP financial measures that do not have any standardized meaning prescribed by GAAP and are, therefore, unlikely to be comparable to similar measures presented by other issuers. Management believes cash flow from operations and operating netback are relevant indicators of the Company's financial performance, ability to fund future capital expenditures and repay debt. Cash flow from operations and operating netback should not be considered an alternative to or more meaningful than cash flow from operating activities, as determined in accordance with GAAP, as an indicator of the Company's performance. In the Operating netback and cash flow from operations section of this MD&A, a reconciliation has been prepared of cash flow from operations and operating netback to cash from operating activities, the most comparable measure calculated in accordance with GAAP.

Boe Presentation – Production information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalent wellhead value for the individual products. Such disclosure of boes may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

Forward-Looking Statements – Certain information regarding the Company presented in this document, including management's assessment of the Company's future plans and operations, may constitute forward-looking statements under applicable securities law and necessarily involve risk associated with oil and gas exploration, production, marketing and transportation such as loss of market, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risk, competition from other producers and ability to access capital from internal and external resources, and as a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Statements contained in this document relate to forward-looking information, including estimates, projections, interpretations, prognoses and other information that may relate to current past or future production, development(s), testing, well test results, project start-ups and future capital spending. Current, past and/or future actual results and/or reported results, estimates, projections, interpretations, prognoses, well results, test results, reserves, production, resource and/or resource potential, development(s), project start-ups, and capital spending, plans and/or estimated results could differ materially due to changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors or revisions. This document may contain the reference to the terms discovery, reserves and/or resources or resource potential which are those quantities estimated to be contained in accumulations. There is no certainty that any portion of these accumulations or estimated accumulations in this document may not change materially; and that, if discovered, in this or any other discovery, the accumulations or estimated accumulations may not be economically viable or technically feasible to produce.

Statements contained in this document relating to estimates, results, events and expectations are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve known and unknown risks, uncertainties, scheduling, re-scheduling and other factors which may cause the actual results, performance, estimates, projections, interpretations, prognoses, schedules or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such factors include, among others, those described in the Company's annual reports on Form 40-F or Form 20-F on file with the U.S. Securities and Exchange Commission.

Business of Canadian Superior

Canadian Superior Energy Inc. ("Canadian Superior" or the "Company") is engaged in the exploration for, and acquisition, development and production of petroleum and natural gas primarily in Western Canada and offshore Nova Scotia, Canada and Trinidad and Tobago.

Operating netback and cash flow from operations

Three months ended March 31,	(\$ thousands)			(\$ per boe)		
	2008	2007	% change	2008	2007	% change
Revenue						
Petroleum and natural gas sales	16,146	12,756	27	57.05	48.92	17
Transportation	(214)	(158)	(35)	(0.76)	(0.61)	(25)
Royalties net of royalty tax credit	(3,324)	(2,316)	(44)	(11.74)	(8.88)	(32)
	12,608	10,282	23	44.55	39.43	13
Operating expenses	2,091	2,073	1	7.39	7.95	7
Operating netback⁽¹⁾						
General and administrative	2,371	1,924	(23)	8.38	7.38	(14)
Interest and other income	(207)	(831)	(75)	(0.73)	(3.19)	(77)
Foreign exchange (gain) loss	(1,678)	89	1,985	(5.93)	0.34	1,837
Interest	717	557	(29)	2.53	2.14	(19)
Current taxes	120	--	n/a	0.42	--	n/a
Cash flow from operations ⁽¹⁾	9,194	6,470	42	32.49	24.81	31
Changes in non-cash working capital	(3,310)	(2,100)	(58)	(11.69)	(8.05)	(45)
Cash used by operating activities	5,884	4,370	35	20.80	16.76	24

⁽¹⁾ Non-GAAP measure

For the three months ended March 31, 2008, cash flow from operations was \$9.2 million compared to \$6.5 million in 2007. The increase in cash flow from operations is mainly due to increased petroleum and natural gas sales and the impact of foreign exchange gains related to the Company's Trinidad and Tobago "Intrepid" Block 5(c) project.

Production

March 31,	Three months ended	
	2008	2007
Natural gas (mcf/d)	15,123	13,984
Crude oil and natural gas liquids (bbls/d)	590	566
Total Production (boe/d) (6:1)	3,110	2,897

Canadian Superior's production for the first quarter averaged 3,110 boe per day. Successful drilling results and new well tie-ins more than offset natural declines in existing production.

Petroleum and natural gas sales, net of transportation

March 31,	Three months ended	
	2008	2007
(\$ thousands, except where otherwise noted)		
Petroleum and Natural Gas Sales, net of transportation		
Natural gas	11,209	9,703
Crude oil and natural gas liquids	4,723	2,896
Total	15,932	12,599
Average Sales Price		
Natural gas (\$/mcf)	8.14	7.71
Crude oil and natural gas liquids (\$/bbl)	88.02	56.81
Total (\$/boe)	56.29	48.32

Petroleum and natural gas sales, net of transportation ("petroleum and natural gas sales") were \$15.9 million in the first quarter of 2008, consisting of \$11.2 million in natural gas and \$4.7 million of crude oil and natural gas liquids sales. During the quarter, Canadian Superior realized an average sales price of \$56.29 per bbl compared to \$48.32 per bbl in 2007. The increase in petroleum and natural gas sales is due to increased production and higher realized prices in 2008 compared to 2007.

At March 31, 2008, the Company has hedged 2,000 GJs per day of natural gas production at \$7.05 per GJ. The remainder of the Company's production is sold on the spot market.

Royalties

(\$ thousands, except where otherwise noted)	Three months ended	
	2008	2007
March 31,		
Royalties		
Crown	2,648	1,892
Freehold and overriding	676	424
Total	3,324	2,316
Royalties per boe	11.75	8.88
Average royalty rate (%)	20.9	18.2

Canadian Superior pays royalties to provincial governments, freehold landowners and overriding royalty owners. Royalties are calculated and paid based on petroleum and natural gas sales net of transportation. Natural gas and liquids royalties for the first quarter of 2008 were \$3.3 million or 20.9% of total petroleum and natural gas sales compared to \$2.3 million or 18.2% in 2007.

Operating expenses

Operating expenses were consistent with prior year at \$2.1 million or \$7.39 per boe for the first quarter of 2008 compared to \$2.1 million or \$7.95 per boe in 2007.

General and administrative expenses

(\$ thousands, except where otherwise noted)	Three months ended	
	2008	2007
March 31,		
Gross general and administrative expense	4,128	3,733
Capitalized general and administrative expense	(1,757)	(1,809)
Net general and administrative expense	2,371	1,924
General and administrative expense (\$/boe)	8.38	7.38

For the three months ended March 31, 2008, general and administrative ("G&A") expense was \$2.4 million or \$8.38 per boe. The increase from the first quarter of 2007 is mainly due to costs incurred to continue to develop the technical team and resources needed for the "Intrepid" Block 5(c) project in Trinidad and Tobago.

Stock based compensation

During the three months ended March 31, 2008, Canadian Superior incurred stock based compensation expenses of \$1.6 million compared to \$1.8 million in 2007.

Depletion, depreciation and accretion

Depletion, depreciation and accretion ("DD&A") was \$8.7 million or \$30.68 per boe for the three months ended March 31, 2008. In calculating DD&A expense for 2007 the Company included an estimated \$7.5 million (2007 - \$9.3 million) for future development capital associated with proven undeveloped reserves and excluded \$48.8 million (2007 - \$69.0 million) related to unproved properties and projects under construction or development. Of the costs excluded \$9.8 million (2007 - \$22.2 million) relates to Western Canada, \$8.7 million (2007 - \$8.5 million) to East Coast Canada and \$30.3 million (2007 - \$38.3 million) to Trinidad and Tobago. Canadian Superior's DD&A per boe is high compared to other exploration and production companies its size, due to significant expenditures

incurred to drill and evaluate the Company's offshore wells in the East Coast of Canada being included in the depletable base with no associated proven reserves reflected.

Income taxes

Canadian Superior's current and future income taxes are dependent on factors such as production, commodity prices and tax classification of drilled exploration and development wells. The Company had a future income tax reduction for the first quarter of 2008 of \$0.1 million.

At March 31, 2008, the Company had \$174.7 million in tax pools and \$3.2 million in non-capital losses that are available for future deduction against taxable income.

<i>(\$ thousands)</i>	March 31 2008
Canadian exploration expense	18,542
Canadian oil and gas property expense	50,030
Canadian development expense	52,573
Undepreciated capital costs	27,304
Share issue costs	4,491
Foreign exploration expense	20,978
Other	767
Total	174,685

Non-capital losses expire as follows:

<i>(\$ thousands)</i>	
2008	--
2009	--
2010	--
2011 and thereafter	3,190
	3,190

Capital expenditures

<i>(\$ thousands)</i>	Three months ended	
March 31,	2008	2007
Acquisitions (dispositions)	(940)	2
Exploration and development	10,676	6,809
Plants, facilities and pipelines	148	1,097
Land and lease	351	2,602
Capitalized expenses	1,757	1,809
Net capital expenditures	11,992	12,319

The Company invested \$12.0 million for capital expenditures during the first quarter of which the majority was spent on testing of the "Victory" well and the drilling of the "Bounty" well offshore Trinidad. In addition, the Company drilled 6 gross wells (5.0 net) in Western Canada.

Acquisition

On March 26, 2008, Canadian Superior closed the acquisition of Seeker Petroleum Ltd. ("Seeker"), a private company for consideration of approximately \$51.6 million. The purchase was funded through the issuance of common shares of the Company and advances from the credit facility.

The acquisition was accounted for under the purchase method as follows:

Consideration	
Cash	22,211
Common shares (7,651,866)	28,465
Transaction costs	887
	51,563
Net assets received at fair value	
Cash	1,716
Working Capital	(387)
Fair value of financial instruments	(796)
Property, plant and equipment	40,953
Goodwill	10,365
Asset retirement obligation	(1,243)
Future income taxes	955
	51,563

Liquidity and capital resources

<i>(\$ thousands)</i>		
March 31,	2008	2007
Working capital surplus excluding revolving credit facility	29,467	8,139
Revolving credit facility	(40,786)	(15,451)
Working capital deficit	(11,319)	(7,312)

As at March 31, 2008, Canadian Superior had a working capital deficit of \$11.3 million. The Company had drawn \$40.8 million against the \$45 million revolving credit facility ("credit facility") at a variable interest rate of prime + 1%. The credit facility is secured by a \$100 million first floating charge demand debenture on the assets of the Company and a general security agreement covering all of the assets of the Company. The credit facility has covenants that require the Company to maintain its working capital ratio at 1:1 or greater, tangible net worth to total liabilities at 1.5:1.0 or greater and tangible net worth at greater than \$100 million while the credit facility is outstanding. The borrowing base of the credit facility is subject to an annual review by the lender. The Company had \$5.6 million in cash and short-term deposits and \$14.6 million of term deposits posted as security against the remaining Offshore Nova Scotia work expenditure bids.

The Company generally relies on cash flow from operations, credit facility availability and equity financings to fund its capital requirements and to provide liquidity. Cash is primarily used, and will continue to be used, to fund acquisitions, exploration and development of petroleum natural gas properties, expenses for continued operations, G&A costs and/or repayment of principal and interest outstanding on the credit facility.

The Company's cash flow from operations is directly related to underlying commodity prices and production volumes. A significant decrease in commodity prices could materially impact the Company's future cash flow from operations and liquidity. In addition, a substantial decrease in commodity prices could impact the Company's borrowing base under the credit facility, therefore reducing the credit facility available, and in some instances, require a portion of the credit facility to be repaid. At March 31, 2008, Canadian Superior has hedged 2,000 GJs per day of natural gas production at \$7.05 per GJ. The remainder of the Company's production is sold on the spot market. Management is currently evaluating various options to mitigate its commodity price risk. The Company's future liquidity is also dependent on its ability to increase reserves and production through successful drilling activity and acquisitions.

Canadian Superior's 2008 exploration and development program will be financed through a combination of cash flow from operations, credit facility utilization, additional equity financings, potential farm outs or joint ventures and possibly through the release of secured offshore term deposits as additional work expenditures are incurred.

Contingencies and commitments

Nova Scotia

Since 2000, the Company has acquired several exploration licenses from the Canada-Nova Scotia Offshore Petroleum Board ("CNSOPB"). Each of these licenses is for a specific period of nine years, subject to certain requirements being met during the first five years or six years. As a condition of the licenses, the Company is required to post security in the amount of 25% of its work expenditure bids. The deposit is refundable only to the extent of approved allowable expenditures. The duration of the initial five year term, for a given license, can be extended one additional year to six years by posting an additional security drilling deposit in an amount of \$250,000. Recently the CNSOPB implemented an additional extension program that allows the six year period to be further extended up to nine years by payment of annual extension fees. As of March 31, 2008, as a result of the Company incurring certain expenditures and drilling two exploration wells, the Company had fully fulfilled its work expenditures on two of the exploration licenses, allowed three licenses to return to the Crown, extended one license and held the remaining two under the regular licensing process. At March 31, 2008, the Company's owned 100% of five exploration licenses that have aggregate work expenditure outstanding of \$55.1 million and \$14.6 million in term deposits assigned to the Canadian Receiver General through the CNSOPB.

Trinidad and Tobago

The Company is committed to drill three exploration wells on its "Intrepid" Block 5(c) under its Block 5(c) Production Sharing Contract ("PSC") with the Government of Trinidad and Tobago funded in part by a related party participating on a promoted basis, paying 1/3 of Canadian Superior's Block 5(c) exploration program, plus other considerations, to obtain 25% of Canadian Superior's net revenue share from this block; and, also by a non-related party paying approximately 40% of the exploration cost, plus other considerations, for a 30% interest in the Block 5(c) PSC. The Company has contracted the Kan Tan IV Semi-Submersible Drilling Rig for a three well commitment on the Company's Trinidad and Tobago "Intrepid" Block 5 (c). In 2008, the Company completed the drilling and evaluation of the first well and currently is in the process of drilling the second well of the three well program. The Company estimates that the costs to drill the second and third wells to be in the range of US \$65.0 million to US \$75.0 million gross per well.

In 2007, the Company received an exploration and development license from the Government of Trinidad and Tobago on the Mayaro-Guayaguayare block ("MG Block") and as a result is committed to conducting 3D seismic and to drill two exploration wells on the MG block in a joint venture with the Petroleum Company of Trinidad and Tobago Limited ("Petrotrin"). The first well has to be drilled to a depth of 3,000 meters by January 2010 and the second to a depth of 1,800 meters by July 2010. The Company estimates that its share of the cost of these wells to be in the range of US \$15.0 million per well, with the 3D seismic program to be completed in 2008 or early 2009 at a net cost to the Company of approximately US\$ 20.0 million.

Flow-through shares

At March 31, 2008, the Company had yet to incur approximately \$21.7 million of Canadian exploration expenses which were renounced for tax purposes. These expenses must be incurred by December 31, 2008.

Litigation and claims

The Company is involved in various claims and litigation arising in the ordinary course of business. In the opinion of Canadian Superior the various claims and litigations arising there from are not expected to have a material adverse effect on the Company's financial position. The Company maintains insurance, which in the opinion of the Company, is in place to address any unforeseen claims.

Related parties transactions

During the three months ended March 31 2008, the Company paid \$0.5 million (2007 - \$0.3 million), on industry terms, for equipment rentals to a company controlled by an officer and director of Canadian Superior. Also during 2007, the Company invoiced \$0.2 million (2006 - nil), at market rates, to this related party company for payroll services.

At March 31, 2008, Canadian Superior is carrying a receivable in the amount of US\$15.0 million (December 31, 2007 – US\$19.7 million) from a company which one of Canadian Superior's officers and directors is a shareholder and director. These receivables pertain to transactions for Canadian Superior's "Intrepid" Block 5(c) project at Trinidad. These transactions were incurred under normal industry terms and conditions.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Share capital

As at May 12, 2008, the Company had 148.7 million Class A common shares and 16.8 million stock options issued and outstanding.

Financial Instruments

Cash, short-term investments and Nova Scotia offshore term deposits are classified as financial assets held for trading and are measured at their fair value. Gains or losses related to periodic revaluation are recorded to net income or loss.

Accounts receivable are classified as loans and receivables and are initially measured at their fair value. Subsequent periodic revaluations are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities, revolving credit facility and convertible preferred shares are classified as other liabilities and are initially measured at fair value. Subsequent periodic revaluations are recorded at their amortized cost using the effective interest rate method.

Derivatives are classified as held for trading and measured at their fair value. Gains or losses related to periodic revaluation are recorded to net income or loss.

Risk Management

In order to manage the Company's exposure to commodity price, interest rate and foreign exchange risk, the Company developed a risk management policy. Under this policy, it may enter into agreements, including fixed price, forward price, physical purchases and sales, futures, currency swaps, financial swaps, option collars and put options. The Company's Board of Directors evaluates and approves the need to enter into such arrangements.

Credit risk

The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business under normal industry sale and payment terms and are subject to normal credit risks. Purchasers of the Company's oil, gas and natural gas liquids are subject to an internal credit review to minimize the risk of nonpayment.

Foreign exchange risk

The Company is exposed to foreign currency fluctuations as oil and gas prices received are referenced to U.S. dollar denominated prices and convertible preferred shares are denominated in U.S. dollars. In addition, the Company purchases significant amounts of property, plant and equipment denominated in U.S. dollars for the Company's Trinidad operations. At this time, the Company has chosen not to enter into any risk management agreements to mitigate foreign exchange risk.

Interest rate risk

The Company is exposed to interest rate risk as the credit facility bears interest at floating market interest rates. The Company has no interest rate swaps or hedges to mitigate interest rate risk at March 31, 2008.

Commodity price risk

The Company is exposed to fluctuations in prices for natural gas, crude oil and natural gas liquids, as the majority of the Company's production is currently sold at spot prices that are subject to volatile trading activity. Commodity prices fluctuate in response to, among other things, domestic and foreign supply and demand, import and export balances, government regulations, weather, and fluctuations in the availability and price of other replacement energy sources. A significant drop in commodity prices could materially impact the Company's petroleum and natural gas sales, the volume of production it could produce economically, require downward adjustments to proved reserves and could materially impact the Company's financial condition. In addition, a substantial decrease in commodity prices could impact the Company's borrowing base under the credit facility, therefore reducing the credit facility available, and in some instances, require a portion of the credit facility to be repaid.

The Company enters into commodity sales agreements and certain derivative financial instruments to reduce its exposure to commodity price volatility. These financial instruments are entered into solely for hedging purposes and are not used for trading or other speculative purposes. At March 31, 2008, the following commodity price risk contract was in place:

Term	Contract	Volume (GJs/d)	Fixed price	Unrealized loss at March 31, 2008
Feb 1, 2008 – October 31, 2008	Swap	2,000	\$7.05	(796)

The estimated fair value of this contract was determined based on estimates from a third party broker.

Adoption of new accounting policies

On January 1, 2008, the Company prospectively adopted CICA Section 1535 Capital Disclosures. This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing its capital structure.

On January 1, 2008, the Company prospectively adopted the following two new CICA standards: Financial Instruments - Disclosures (Section 3862) and Financial Instruments - Presentation (Section 3863), which replace Financial Instruments - Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements.

The Canadian Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada will converge with the International Financial Reporting Standards ("IFRS") by 2011 and the Company will be required to report according to IFRS standards for the year ended December 31, 2011. The Company is currently assessing the impact of the convergence of Canadian GAAP with IFRS on the Company's results of operations, financial position and disclosures.

Sensitivities

The following sensitivity analysis is provided to demonstrate the impact of changes in commodity prices on 2008 petroleum and natural gas sales and is based on the balances disclosed in this MD&A and the consolidated financial statements for the three months ended March 31, 2008:

<i>(\$ thousands)</i>	Petroleum and Natural Gas Sales ⁽¹⁾
Change in average sales price for natural gas by \$1.00/mcf	1,376
Change in the average sales price for crude oil and natural gas liquids by \$1.00/bbl	54
Change in natural gas production by 1 mmcf/d ⁽²⁾	741
Change in crude oil and natural gas liquids production by 100 bbls/d ⁽²⁾	801

(1) Reflects the change in petroleum and natural gas sales for the three months ended March 31, 2008. Balances have not been annualized.

(2) Reflects the change in production multiplied by the Company's average sales prices for the three month period ended March 31, 2008.

Quarterly financial summary

(\$ thousands except per share and production amounts)

	2008		2007			2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Production								
Natural gas mcf/d	15,123	15,366	12,838	11,802	13,984	14,417	12,983	12,674
Oil and natural gas liquids bbl/d	590	636	516	656	566	770	645	570
Total boe/d	3,110	3,197	2,656	2,623	2,897	3,173	2,808	2,682
Petroleum and natural gas sales	15,932	13,039	10,248	11,961	12,599	13,327	11,185	10,839
Net income (loss)	(1,863)	(9,129)	(2,865)	2,187	(129)	(4,839)	(5,753)	254
Earnings (loss) per share - basic	(0.01)	(0.07)	(0.02)	0.02	0.00	(0.04)	(0.05)	0.00
Cash flow from operations	9,194	3,033	2,101	2,251	6,470	5,409	3,992	5,341
Cash flow per share - basic	0.07	0.02	0.02	0.02	0.05	0.05	0.03	0.04

Disclosure controls and procedures and internal control over financial reporting

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding public disclosure.

Our management, including the CEO and CFO, has evaluated the effectiveness of the Company's disclosure control and procedures as of March 31, 2008. Based on this evaluation, our management concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("MI 52-109"), as of March 31, 2008 was not effective to provide reasonable assurance that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company determined that material weaknesses in internal control over financial reporting including the lack effective controls or procedures related to significant accounts and processes, not maintaining segregation of duties over automated and manual transactions and not maintaining effective control over the safeguard of monetary assets existed as of December 31, 2007.

Management, with oversight from the Audit Committee of the Board of Directors, has been aggressively addressing the aforementioned material weaknesses. During the first quarter of 2008, the Company appointed a new CFO and Corporate Controller and key additional operational accounting and financial reporting staff, of which a number are Chartered Accountants with Canadian and US financial and regulatory reporting experience. In addition, the Company is in the process of performing a comprehensive review and redesign of internal controls over financial to ensure effective internal controls related to significant accounts and processes, adequate segregation of duties and safeguarding of monetary assets.

Additional information

Additional information relating to Canadian Superior is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained by contacting the Company at Canadian Superior Energy Corp., Suite 2700, 605 – Fifth Avenue S.W., Calgary, Alberta, Canada T2P 3H5 and on the Company's website at www.cansup.com.