

FULL OF ENERGY AND IDEAS FOR INVESTORS!

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Canadian Superior Energy Inc. (SNG: TSX, AMEX)

BUY
Twelve month target: \$5.00
Updating Coverage

Market Data

Last Price (April 17, 2008)	\$3.13
52 Week High	\$4.05
52 Week Low	\$2.52
Share Capital - MM	
Shares Outstanding - Basic	152.3
Shares Outstanding - FD*	168.4
Capitalization - \$MM	
Net Debt (Pro Forma YE 2008)	50.8
Market Value	476.7
Enterprise Value	527.5

*Assumes conversion of Convertible Preferred Shares



Stock chart courtesy of GlobeInvestor.com

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Operations

	2007	2008E	2009E
Oil & NGL - BOPD	594	900	1,000
Natural Gas - MCF per Day	13,496	21,000	25,000
BOE per Day 6:1	2,843	4,400	5,167
Reserves (P+P) - MM BOEs	8.55	n/a	n/a

Financials - \$MM

Revenue (Net of Royalties)	41.5	67.5	76.2
Net Earnings	-9.9	-5.8	-5.3
Cash Flow	13.9	34.2	38.2
Net Debt	-12.7	50.8	72.7
Capital Expenditures	66.3	75.0	60.0
EPS - FD	-\$0.07	-\$0.03	-\$0.03
CFPS - Basic W/A	\$0.10	\$0.22	\$0.25
CFPS - FD	\$0.10	\$0.20	\$0.23

Market Valuations

P/E - FD (x)	-41.7	-90.5	-100.3
P/CF - Basic W/A (x)	29.9	13.9	12.5
P/CF - FD (x)	29.9	15.4	13.8
DACFM - FD (x)	30.1	15.9	14.6
EV per BOEPD - \$M	\$148.5	\$119.9	\$106.3
EV/DACF (x)	24.5	13.8	12.5
Net Debt to Cash Flow	-0.91	1.49	1.90
Price Assumptions			
WTI - U.S.\$	\$72.23	\$90.00	\$88.00
Natural Gas - C\$ per MCF	\$6.46	\$7.50	\$7.50
Exchange Rate (U.S.\$/C\$)	\$1.06	\$1.00	\$1.00

- 2007E - 2009E fully diluted share calculations assume "all-in" options and warrants
- Market & Enterprise Values are based on total basic shares outstanding
- Historical market values based on weighted average share prices
- Net Debt includes all debt plus working capital (negative value implies cash surplus)
- DACFM (debt adjusted cash flow multiple)
- Oil price assumptions adjusted for corporate differential

We reason that purchasing Canadian Superior shares in the vicinity of \$3.00 - \$3.20 provides a very low, if any cost exposure to 45% of an additional 1.0 - 4.0 TCF reserve potential just on the Bounty prospect alone.

CORPORATE UPDATE – we are updating our previous January 18, 2008 research report to reflect Canadian Superior’s year 2007 financial and operations results.

Highlights for 2007:

- Drilled and/or participated in 73 gross wells (68% working interest) in western Canada with 92% success rate
- Exited 2007 producing 3,290 BOEPD, approximately 80% natural gas
- Established proven plus probable reserve base of 8,481 MBOE, 61% proven
- Established western Canada net undeveloped land base of over 160,000 acres
- Announced acquisition of Seeker Petroleum, bringing current production to 4,350 BOEPD – 80% of which is natural gas
- Successfully drilled 45% working interest “Victory” well off-shore Trinidad with net gas resource potential of 270.0 – 450.0 BCF plus liquids

OPERATIONS UPDATE

Western Canada

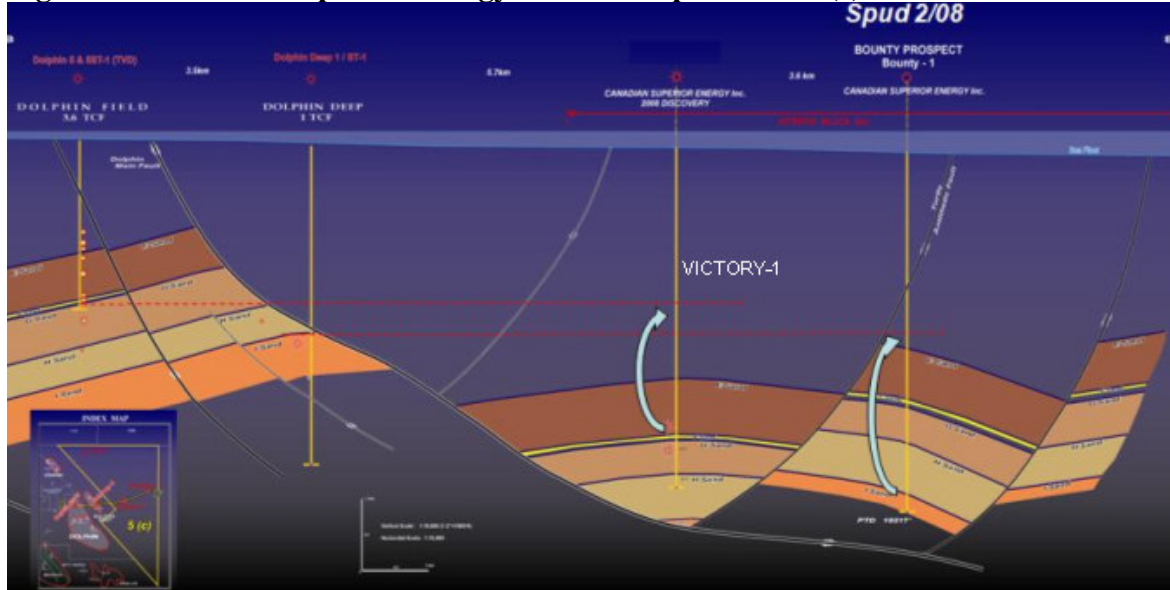
- ❑ Western Canada continues to provide 100% of Canadian Superior’s production base, 90% of which comes from the Drumheller area of southern Alberta.
- ❑ Current production post Seeker closing is approximately 4,350 BOEPD 78% of which is natural gas.
- ❑ Company plans to focus attention in 2008 on the multi-zone Peace River Arch land base for light oil and natural gas prospects.
- ❑ Canadian Superior continues to evaluate acquisition opportunities with plans to increase western Canada production to 10,000 BOEPD by year end 2008.

Trinidad/Tobago

- ❑ Canadian Superior successfully drilled and tested its 45% working interest Victory well off-shore Trinidad, the first of three drilling prospects in the Intrepid Block 5(c).
- ❑ The Victory well tested under high reservoir pressure significant hydrocarbon potential from two zones with combined gross production capacity of 150.0 - 200.0 mmcf per day.
- ❑ The estimated resource potential from the Victory prospect is believed to be 0.62 TCF on the low and more likely side to 1.1 TCF on the high side. Associated liquids, which tested from one zone, are estimated to be 3.7 million BOE’s.
- ❑ Successfully spudded and now drilling the 5,400 meter “Bounty” well, potentially the most prolific prospect in Intrepid Block 5(c).
- ❑ Established time lines for operations at Mayaro/Guayaguayare with plans to shoot seismic in 2008 and drill two near-shore wells in 2009 targeting oil reserves.

Bounty Target potentially more prolific – Canadian Superior has the benefit of the geo-technical data from the now drilled and tested Victory prospect that substantiates the 3-D seismic interpretation of the Bounty prospect, leaving the company to believe the prospect is aerially more extensive than either the Victory or Endeavour prospects. More specifically, Canadian Superior believes the main producing “G” and “I” sands extend easterly into Bounty area; see cross-section of interpretation below.

Figure 1: Canadian Superior Energy Inc. – Intrepid Block 5(c) Cross-Section



Source: Canadian Superior Energy Inc.

Offshore Eastern Canada

- ❑ Canadian Superior does not anticipate the commencement of any drilling operations in 2008 over the Company’s 1.2 million acres of land offshore eastern Canada. Canadian Superior continues to explore opportunities to farm out a significant portion of the production rights in this area from which it currently holds a 100% working interest.

Other International Opportunities – Canadian Superior has indicated that efforts continue for an exploration agreement to drill off-shore **Tunisia/Libya** in North Africa. Terms of the pending agreement include a four year commitment to drill multiple wells and shoot 3-D seismic. The area is within a proven oil-prone basin in approximately 250 feet of water.

DISCUSSION & VALUATION – Without ignoring Canadian Superior’s planned domestic acquisition strategy and pursuit of additional international opportunities, we are valuing the Company on a base case 2008 capital expenditures program of \$75.0 million, which includes a \$45.0 million capital commitment for this year’s Trinidad operations. We are assuming the remaining \$30.0 million of capital will be allocated to western Canada, which we feel is sufficient to reach a year end exit production rate of 5,000 BOEPD from the Company’s existing prospect inventory.

Given the results achieved so far in Trinidad/Tobago and assuming the lower end of the net reserve potential (45.0 million BOE’s) at Victory at a value of \$8.00 per BOE reserves, we generate an NPV of approximately \$360.0 million. Applying peer metrics of \$45,000 per flowing BOE to forecast 2009 western Canada production, we generate a combined net asset value of approximately \$3.40 per share – basic. Given the current share price of \$3.20, we reason that Canadian Superior is trading in close proximity to the combined, forecast net asset values of western Canada assets and the base case Trinidad Victory reserve potential. Given the strong technical merit of the remaining two prospects, in particular the Bounty well, we reason further that there is significantly more upside potential in Trinidad/Tobago than reflected in Canadian Superior’s current share price. In other words, we reason that purchasing Canadian Superior shares in the vicinity of \$3.00 - \$3.20 provides a very low, if any cost exposure to 45%

of an additional 1.0 – 4.0 TCF reserve potential just on the Bounty prospect alone. Our reasoning is further supported by currently high NYMEX gas prices going into the shoulder season, which, if sustainable, could add additional incremental reserve value to the Victory prospect and western Canada.

RECOMMENDATION – Reflecting what we feel is additional reserve upside at Victory and risked upside at Bounty, **Acumen Capital Partners** continues to recommend **Canadian Superior Energy Inc.** as a **BUY** with a twelve month target of **\$5.00**. This implies a **60%** increase in value from the closing April 17, 2008 share price of \$3.13.■

Company: Canadian Superior Energy Inc.

Disclosure Requirements

- | | | | | |
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* Acumen has a pool for compensation purposes, which includes research analysts, investment banking personnel and institutional traders. Revenue in the pool includes trading commissions, advisory fees, new issue commissions and broker warrant proceeds.

Acumen Recommendation Structure: Buy Speculative Buy Hold-positive bias Hold-neutral bias Hold-negative bias Sell Under Review Tender
Full Recommendation Structure explanation can be found at the Acumen Capital Partners website: www.acumencapital.com

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