MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of September 2, 2009 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 and six months ended June 30, 2009 and the audited consolidated financial statements and MD&A for the year ended December 31, 2008.

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, 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, resource potential and/or reserves, project start-ups and future capital spending. Forward looking information contained in this document is as of the date of this document. The Company assumes no obligation to update and/or revise this forward-looking information "except as required by law". Current, past and/or future actual results and/or reported results, estimates, projections, resource potential and/or reserves, interpretations, prognoses, and/or estimated results, 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 discovered and/or undiscovered 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 any 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, resource potential and/or reserves, 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. is engaged in the exploration for, and acquisition, development and production of petroleum and natural gas, and liquefied natural gas regasification ("LNG") projects, with operations in Western Canada, offshore Nova Scotia, Canada, offshore Trinidad and Tobago, the United States and North Africa.

Operating netback and cash flow from operations

Three months ended June 30,	($ thousands) 2009	2008	% change	($ per boe) 2009	2008	% change
Revenue						
Petroleum and natural gas sales	**8,302**	25,514	(67)	**29.27**	72.43	(60)
Realized losses on financial instruments	**--**	(479)	n/a	**--**	(1.36)	n/a
Transportation	**(170)**	(211)	(19)	**(0.60)**	(0.60)	--
Royalties	**(564)**	(4,449)	(87)	**(1.99)**	(12.63)	(84)
	7,568	20,375	(63)	**26.68**	57.84	(54)
Operating expenses	**4,417**	4,385	1	**15.57**	12.45	25
Operating netback[1]	**3,151**	15,990	(80)	**11.11**	45.39	(76)
General and administrative	**4,505**	3,685	22	**15.88**	10.46	52
Asset retirement expenditures	**88**	128	(31)	**0.31**	0.36	(14)
Interest and other income	**(356)**	(103)	246	**(1.26)**	(0.29)	334
Foreign exchange (gain) loss	**(673)**	658	(202)	**(2.37)**	1.87	(227)
Interest	**1,742**	557	213	**6.14**	1.58	289
Bad debt	**30**	--	n/a	**0.11**	--	n/a
Restructuring costs	**5,611**	--	n/a	**19.78**	--	n/a
Capital taxes	**--**	342	n/a	**--**	0.97	n/a
Cash flow from (used for) operations[1]	**(7,796)**	10,723	(173)	**(27.48)**	30.44	(190)
Changes in non-cash working capital	**8,972**	1,711	424	**31.63**	4.86	551
Cash used by operating activities	**1,176**	12,434	(91)	**4.15**	35.30	(88)

[1] Non-GAAP measure

Six months ended June 30,	($ thousands) 2009	2008	% change	($ per boe) 2009	2008	% change
Revenue						
Petroleum and natural gas sales	**18,282**	41,660	(56)	**31.16**	65.58	(52)
Realized losses on financial instruments	**--**	(479)	n/a	**--**	(0.75)	n/a
Transportation	**(358)**	(425)	(16)	**(0.61)**	(0.67)	(9)
Royalties	**(2,043)**	(7,773)	(74)	**(3.48)**	(12.24)	(72)
	15,881	32,983	(52)	**27.07**	51.92	(48)
Operating expenses	**7,868**	6,476	21	**13.41**	10.19	32
Operating netback[1]	**8,013**	25,507	(69)	**13.66**	41.73	(67)
General and administrative	**7,424**	6,056	23	**12.66**	9.53	33
Asset retirement expenditures	**345**	128	170	**0.59**	0.20	195
Interest and other income	**(481)**	(310)	55	**(0.82)**	(0.49)	67
Foreign exchange (gain) loss	**(1,037)**	(1,020)	2	**(1.77)**	(1.61)	10
Interest	**2,531**	1,275	99	**4.31**	2.01	114
Bad debt	**87**	--	n/a	**0.15**	--	n/a
Restructuring costs	**8,351**	--	n/a	**14.24**	--	n/a
Capital taxes	**--**	462	n/a	**--**	0.73	n/a
Cash flow from (used for) operations[1]	**(9,207)**	19,916	(146)	**(15.70)**	31.36	(150)
Changes in non-cash working capital	**15,603**	(1,599)	1,076	**26.60**	(2.52)	1,156
Cash used by operating activities	**6,396**	18,317	(65)	**10.90**	28.84	(62)

[1] Non-GAAP measure

For the three months ended June 30, 2009, cash flow used for operations was ($7.8) million compared cash flow from operations of $10.7 million in 2008. For the six months ended, cash flow used for operations was ($9.2) million compared to cash flow from operations of $19.9 million in 2008. The decrease in 2009 is mainly due to lower operating netbacks as a result of decreased commodity prices. In addition, the Company incurred $8.4 million in restructuring costs related to its CCAA proceedings and the receivership of the "Intrepid" Block 5(c) asset in Trinidad and Tobago. The Company also incurred an additional $0.9 million in interest expense payable to the receiver of the "Intrepid" Block 5(c) asset.

Production

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Natural gas *(mcf/d)*	**15,094**	18,626	**16,050**	16,875
Crude oil and natural gas liquids *(bbls/d)*	**601**	766	**566**	678
Total Production *(boe/d) (6:1)*	**3,117**	3,870	**3,241**	3,491

Second quarter production averaged 3,117 boe per day and for the six months ended June 30, 2009, 3,241 boe per day. The decrease is due primarily to normal decline in production and no new wells drilled in 2009.

Petroleum and natural gas sales, net of transportation

($ thousands, except where otherwise noted)	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Petroleum and natural gas sales, net of transportation				
Natural gas	**4,973**	17,616	**12,546**	28,825
Realized losses on financial instruments	**--**	(479)	**--**	(479)
	4,973	17,137	**12,546**	28,346
Crude oil and natural gas liquids	**3,159**	7,687	**5,378**	12,410
Total	**8,132**	24,824	**17,924**	40,756
Average sales price				
Natural gas *($/mcf)*	**3.62**	10.11	**4.32**	9.23
Crude oil and natural gas liquids *($/bbl)*	**57.78**	110.23	**52.49**	100.57
Total *($/boe)*	**28.67**	70.47	**30.55**	64.16

For the three months ended June 30, 2009, petroleum and natural gas sales, net of transportation were $8.1 million, consisting of $5.0 million in natural gas and $3.1 million of crude oil and natural gas liquids sales. For the six months ended, petroleum and natural gas sales were $17.9 million, consisting of $12.5 million in natural gas and $5.4 million of crude oil and natural gas liquids sales.

During the second quarter, Canadian Superior realized an average sales price of $28.67 per boe compared to $70.47 per boe in 2008. For the six months ended, the company realized an average sales price of $30.55 per boe compared to $64.16 per boe in 2008. The decrease in petroleum and natural gas sales is due to a decline in production volumes combined with lower commodity prices in 2009 compared to the same period in 2008.

Royalties

($ thousands, except where otherwise noted)	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Royalties				
Crown	**301**	3,565	**1,394**	6,213
Freehold and overriding	**263**	884	**649**	1,560
Total	**564**	4,449	**2,043**	7,773
Royalties per boe ($)	**1.99**	12.63	**3.48**	12.24
Average royalty rate *(%)*	**6.9**	17.9	**11.4**	19.1

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 six month ended June 30, 2009 were $2.0 million or 11.4% of total petroleum and natural gas sales compared to $7.8 million or 19.1% in 2008. The decrease in 2009 royalty rate is due to favourable prior period adjustments realized in 2009 on crown royalties and reduced royalty rates under the new Alberta royalty framework.

Operating expenses

Operating expenses were $4.4 million or $15.57 per boe for the second quarter of 2009 compared to $4.4 million or $12.45 per boe in 2008. For the six months ended June 30, 2009, operating expenses were $7.9 million or $13.41 per boe compared to $6.5 million or $10.19 per boe. The increase compared to prior year is mainly due to recording of approximately $0.9M of additional costs identified during the CCAA claims process.

General and administrative expenses

	Three months ended June 30		**Six months ended June 30**	
($ thousands, except where otherwise noted)	**2009**	2008	**2009**	2008
Gross general and administrative expense	**8,896**	6,791	**14,480**	10,919
Capitalized general and administrative expense	**(4,391)**	(3,106)	**(7,056)**	(4,863)
Net general and administrative expense	**4,505**	3,685	**7,424**	6,056
General and administrative expense *($/boe)*	**15.88**	10.46	**12.66**	9.53

Second quarter general and administrative expense (“G&A”) was $4.5 million or $15.88 per boe compared to $3.7 million or $10.46 per boe in 2008. For the six months ended June 30, 2009, G&A was $7.4 million or $12.66 per boe compared to $6.1 million or $9.53 per boe in 2008. The increase in gross G&A from 2008 is mainly due to increased LNG costs and the accruing of one time executive contract settlements in connection to the departure of the Executive Chairman of the Company and the President and Chief Executive Officer of the Company during the second quarter of 2009.

Restructuring costs

During the six months ended June 30 2009, the Company incurred $8.4 million (June 30, 2008 – nil) in restructuring costs related to the receivership of the “Intrepid” Block 5(c) asset in Trinidad and Tobago and CCAA proceedings.

Stock based compensation

During the six months ended June 30, 2009, Canadian Superior incurred stock based compensation expenses of $1.4 million compared to $3.1 million in 2008. The decrease is due to significant grants of options becoming fully vested as at December 31, 2008 and a significantly lower amount of options being granted during 2009 compared to the same period in 2008.

Depletion, depreciation and accretion

Depletion, depreciation and accretion ("DD&A") was $18.2 million or $31.06 per boe for the six months ended June 30, 2009. The calculation of depletion and depreciation included an estimated $12.5 million (December 31, 2008 - $12.5 million) for future development capital associated with proven undeveloped reserves and excluded $145.6 million (December 31, 2008 - $123.6 million) related to unproved properties and projects under construction or development. Of the costs excluded $22.7 million (December 31, 2008 - $22.7 million) relates to Western Canada, $5.5 million (December 31, 2008 - $5.5 million) to East Coast Canada, $96.5 million (December 31, 2008 - $80.6 million) to Trinidad and Tobago, $17.6 million (December 31, 2008 – $12.3 million) to a LNG project in the United States and $3.3 million (December 31, 2008 –$2.5 million) for offshore Libya/Tunisia. 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 recovery for the six months ended June 30, 2009 of $9.3 million.

For the six months ended June 30, 2009, the Company had $257.8 million in tax pools and $28.6 million in non-capital losses that are available for future deduction against taxable income.

($ thousands)	**June 30 2009**
Canadian exploration expense	**38,900**
Canadian oil and gas property expense	**40,901**
Canadian development expense	**52,554**
Undepreciated capital costs	**35,548**
Share issue costs	**6,079**
Foreign exploration expense	**83,003**
Other	**782**
Total	**257,767**

Non-capital losses expire as follows:

($ thousands)	
2010	**220**
2011-2025	
2026	**2,970**
2027	**8,277**
2028	**17,112**
	28,579

Capital expenditures

	Three months ended June 30		**Six months ended June 30**	
($ thousands)	**2009**	2008	**2009**	2008
Exploration and development	**2,536**	20,364	**20,004**	31,039
Plants, facilities and pipelines	**243**	849	**1,443**	997
Land and lease	**298**	1,362	**889**	1,713
Capitalized general and administrative expenses	**4,391**	3,106	**7,056**	4,863
Exploration and development expenditures	**7,468**	25,681	**29,392**	38,612
Exploration and development divestitures	**--**	--	**(9,062)**	(940)
Net capital expenditures	**7,468**	25,681	**20,330**	37,672

The Company invested $29.4 million for capital expenditures during the six months ended June 30, 2009, of which the majority was spent to drill, test and evaluate the "Endeavour" well offshore Trinidad. In addition, the Company tied in 5 wells (4.5 net). No wells were drilled in Western Canada during the first six months of 2009.

During the first quarter of 2009, the Company had divestitures of $9.1 million relating to the sale of gross overriding royalties and seismic in Western Canada of which $7.5 million of the proceeds were applied as a permanent reduction to the Company's credit facility.

Acquisition

On March 26, 2008, Canadian Superior closed the acquisition of Seeker 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

($ thousands)	**June 30 2009**	December 31 2008
Working capital surplus (deficit) excluding revolving credit facility	**(35,884)**	2,034
Revolving credit facility	**(34,600)**	(43,263)
Working capital deficit	**(70,484)**	(41,229)

As at June 30, 2009, Canadian Superior had a working capital deficit of $70.5 million (December 31, 2008 - $41.2 million), the Company had drawn $34.6 million (December 31, 2008 - $43.3 million) against the $37.5 million (December 31, 2008 - $45.0 million) revolving credit facility ("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 the assets of the Company. In addition, the bank has a $14.0 million fixed and specific charge against the whole of the Company's Participating Interest in Block 5(c). The Company was charged a variable interest of prime plus 2.0% in January 2009, prime plus 3.0% in February 2009, prime plus 5.0% in March 2009, prime plus 6.0% in April 2009, prime plus 7.0% in May and prime plus 8.0% in June 2009. (December 31, 2008 – prime plus 1.0%). The Company has been notified that it will continue to be charged an additional 1.0% above prime for each month during the third quarter of 2009. On January 30, 2009, the Company's bank charged a monthly fee of $0.1 million to the Company which will continue to be charged until Canadian Superior repays all amounts outstanding and owing to the bank.

The Company had $8.9 million in cash and short-term deposits (December 31, 2008 - $6.0 million) and $15.2 million of term deposits (December 31, 2008 - $15.2 million) posted as security against the remaining Offshore Nova Scotia work expenditure bids.

On February 12, 2009, the bank demanded for payment in full the amounts outstanding together with any accrued interest and other legal fees and charges by February 23, 2009 or they would take such steps as they considered necessary to protect its position. At February 12, 2009, the amounts outstanding and owing to the bank were $44.2 million.

In addition, on February 18, 2009 the bank applied the proceeds from an asset sale by the Company as a permanent reduction to the operating facility to a maximum availability of $37.5 million.

On February 23, 2009, the bank did not take steps to protect its position. Instead, with the filing of the Initial Order for CCAA on March 5, 2009, the bank was under no obligation to advance or re-advance any monies or otherwise extend any credit to the Company. During the first stay period to March 25, 2009, the second stay period to May 4, 2009, the third stay period to June 4, 2009 and the fourth stay period to July 25, 2009 the bank did allow the Company to use the available line of credit. The Company anticipates the same terms for the fifth stay period to September 15, 2009.

Contingencies and commitments

Nova Scotia

Since 2000, the Company has acquired several exploration licenses from the 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. The CNSOPB has an additional extension program that allows the six year period to be further extended up to nine years by payment of annual extension fees. During the six months ended June 30, 2009, the Company forfeited two exploration licenses. As of June 30, 2009, as a result of the Company incurring certain expenditures and drilling two exploration wells, the Company had fulfilled its work expenditures on two of the exploration licenses, allowed five licenses to return to the Crown, extended one license and held the remaining two under the regular licensing process. At June 30, 2009, the Company owned 100% of the remaining three exploration licenses with aggregate work expenditure outstanding of $55.1 million and $15.2 million in term deposits assigned to the Canadian Receiver General through the CNSOPB.

Block 5(c) Trinidad and Tobago

The Company is committed to drill three exploration wells on its “Intrepid” Block 5(c) under its Block 5(c) 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 completed the drilling of the final well of the three well program in March 2009.

On February 10, 2009 the Company announced that it proposed to monetize a 25% or larger interest in its "Intrepid" Block 5(c) offshore Trinidad and Tobago and its related discoveries, subject to acceptable terms and conditions, and subject to all required approvals. Canadian Superior has retained a financial advisor, Scotia Waterous (USA) Inc, to assist in the sale of the asset.

On February 12, 2009 the Company announced the appointment, upon the application of BG, a wholly owned subsidiary of the BG Group plc, of a Receiver of its participating interest in "Intrepid" Block 5(c). Pursuant to the Court Order, the Receiver, in conjunction with BG, will operate the property and conduct the flow testing of the "Endeavour" well which was completed in March 2009. The Court Order allows the Receiver to charge Canadian Superior interest in Block 5(c) with an amount up to US$47.0 million to pay for its share of the costs under the joint operating agreement with BG. On May 22, 2009, the outstanding principal amount was increased to US$52.0 million. Canadian Superior will continue with the monetization of an interest in Block 5(c) as previously announced and the proceeds from any sale will be applied to its share of the costs charged against Block 5(c) and to discharge the Receiver.

MG Block Trinidad and Tobago

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 by the end of 2009 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 approximately US$15.0 million per well. The estimated cost of the 3D seismic program is approximately US$30.0 million. The Company has provided a performance guarantee of US$12.0 million to meet the minimum work program.

Libya/Tunisia

On September 3, 2008, Canadian Superior entered into an exploration production sharing agreement ("EPSA") with a Tunisian/Libyan company, Joint Exploration, Production, and Petroleum Services Company ("Joint Oil") and also signed a "Swap Agreement" awarding an overriding royalty interest and optional participating interest to Joint Oil, in Canadian Superior's "Mariner" Block, offshore, Nova Scotia, Canada. If at the end of August 2011, no royalty well has been spud, Joint Oil has the right to put back and sell the overriding royalty to the Company for US$12.5 million. Under terms of the EPSA, Canadian Superior has been named Operator for the "7th of November Block".

The exploration work commitment for the first phase (four years) of the seven year exploration period will include three exploration wells, 300 square miles of 3D seismic, and one appraisal well. As a requirement of the EPSA, Canadian Superior provided a bank guarantee for US$15.0 million to Joint Oil, portions of this guarantee will be reduced by Joint Oil upon Canadian Superior completing specified requirements under the EPSA. Under the terms of the EPSA, the Company has provided a corporate guarantee to a maximum of US$49.0 million to secure its compliance with certain obligations during the exploration period.

Flow-through shares

At June 30, 2009, the Company had yet to incur approximately $9.8 million of Canadian exploration expenses which were renounced for tax purposes. These expenses must be incurred by December 31, 2009.

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.

Subsequent events

On July 3, 2009, the Company announced it had received from BG International Limited (“BGI”) a notice of election regarding BGI’s right of first refusal dated June 30, 2009 in respect of the agreement of purchase and sale dated June 1, 2009 between the Company and Centrica Resources Limited. The Company anticipates the closing of the sale of a 45% interest in Block 5(c) for US$142.5 million in September 2009.

On August 27, 2009, the Company signed a term sheet with a new bank lender for a $25.0 million demand revolving credit facility effective after the Company’s emergence from CCAA . The credit facility is secured by a floating and fixed charge on the assets of the Company.

On August 27, 2009, the Company reached a settlement to terminate future lease obligations for $4.3 million.

Related parties transactions

As at June 30, 2009, Canadian Superior carried a receivable in the amount of US$46.7 million (December 31, 2008 – US$29.1 million) from a company which one of Canadian Superior’s directors is a shareholder and was a director until October 23, 2008. These receivables pertain to costs incurred on Canadian Superior’s “Intrepid” Block 5 (c) project at Trinidad under normal industry terms and conditions.

On February 27, 2009, this company obtained an order from the Court of Queen's Bench of Alberta granting creditor protection under CCAA. The Initial Order was for a period ending March 23, 2009, subsequently extended to April 20, 2009, June 4, 2009, July 24, 2009 and September 15, 2009 and is subject to further extension by the Court. The Initial Order was obtained after the Board of Directors determined this company was unable to continue to make required payments under a participation agreement with Canadian Superior and BG with respect to exploration Block 5(c) or to repay $14.0 million due on February 28, 2009 under a bridge loan facility with Canadian Superior.

On September 23, 2008, Canadian Superior entered into a short-term $14.0 million bridge facility with this company to enable it to close on a $30 million equity financing. At June 30, 2009, $14.0 million had been drawn and was used to satisfy this company's share of direct and indirect costs in connection with the exploration program on the "Intrepid" Block 5 (c) project in Trinidad. The interest payable to Canadian Superior at June 30, 2009 was $0.6 million based on an interest rate of 10% per annum on any outstanding balance. The company may pay interest incurred in common shares. During the six months ended June 30, 2009, this company issued 188,216 common shares for interest payable up to and including January 31, 2009 based on a predetermined calculation. The bridge security is secured by a debenture creating a first priority security interest over all present and after-acquired personal property and a first floating charge over all present and after-acquired real and personal property of this company. Upon any drawdown of any amounts of the bridge facility this company will issue a predetermined amount of non-transferable warrants to Canadian Superior. At June 30, 2009, this company has issued 500,000 non-transferable share purchase warrants to Canadian Superior. Each warrant entitles the holder to purchase a common share until October, 2010 at a price of $3.50 per common share. In addition, this company paid a standby fee of $0.1 million to Canadian Superior in 2008. At June 30, 2009, this company continues to be in default on repayment of the bridge facility.

During the six months ended June 30, 2009, the Company paid $0.1 million (2008 - $1.3 million), on industry terms, for equipment rentals to a company controlled by an officer and director of Canadian Superior. Also during 2009, the Company invoiced $0.1 million (2008 - $0.5 million), to this related party company for payroll services. Subsequent to March 31, 2009, the Company no longer provides payroll services to this Company.

On May 20, 2008, Canadian Superior announced its participation in the proposed development of a liquefied natural gas regasification project in US federal waters offshore New Jersey. The project will be conducted by Excalibur Energy (USA) Inc., which is a 50/50 joint venture between Canadian Superior and a company controlled and owned by certain officers and directors of Canadian Superior and third parties. Under the terms of the joint venture agreement Canadian Superior will advance the first US$10.0 million of the pre-construction costs for the project. Joint venture partners may discontinue their participation in the project at any time by assigning its respective interest to the remaining partners without any additional cost or further action required. During the six months ended June 30, 2009, Canadian Superior incurred under normal industry terms and conditions $5.2 million (June 30, 2009 – nil) of costs related to this project. Subsequent to June 30, 2009, the 50/50 joint venture dissolved and the Company is now responsible for 100% of the costs related to this project.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Share capital

As at September 2, 2009 the Company had 168.6 million Class A common shares and 15.5 million stock options issued and outstanding.

Financial Instruments

The carrying values of financial assets and liabilities approximate their fair value due to their short periods of maturity and the credit facility bearing interest at market rates.

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 and the bridge facility 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 credit risk, foreign exchange risk, interest rate and commodity price 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 and bridge facility receivable are with natural gas and liquids marketers, the Government of the Republic of Trinidad and Tobago and joint venture partners in the petroleum and natural gas business under substantially normal industry sale and payment terms and are subject to normal credit risks. As at June 30, 2009, the maximum credit risk exposure is the carrying amount of the accounts receivable and accruals of $102.8 million (December 31, 2008 – $83.2 million). As at June 30, 2009, the Company's receivables consisted of $87.2 million (December 31, 2008 - $51.8 million) of Block 5(c) joint interest receivables, including US$46.7 million receivable (December 31, 2008 – US$29.1 million) from a related party, $5.5 million (December 31, 2008 - $7.4 million) of Western Canada joint interest billings, $7.6 million (December 31, 2008 - $18.3 million) in value added tax receivable from the Government of the Republic of Trinidad and Tobago and $2.5 million (December 31, 2008 - $5.6 million) of revenue accruals and other receivables. Purchasers of the Company's oil, gas and natural gas liquids are subject to an internal credit review to minimize the risk of nonpayment. The Company mitigates risk from joint venture partners by obtaining partner approval of capital expenditures prior to starting a project.

The Company's allowance for doubtful accounts is currently $0.4 million (December 31, 2008 - $0.3 million).

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. At June 30, 2009, the Company has US$7.8 million in cash and short-term investments (December 31, 2008 – US$3.6 million), US$62.9 million (December 31, 2008 – US$31.1 million) of Block 5(c) joint interest receivables, US$6.5 million (December 31, 2008 – US$15.0 million) in value added tax receivable from the Government of the Republic of Trinidad and Tobago, US$88.6 million (December 31, 2008 – US$42.1 million) of Block 5(c) payables, US$2.4 million (December 31, 2008 – US$2.0 million) of LNG project payables and US$14.3 million (December 31, 2008 – US$14.1 million) of convertible preferred shares. These balances are exposed to fluctuations in the U.S. dollar. In addition, the Company is exposed to fluctuations between U.S. dollars and the domestic currencies of Trinidad and Tobago and Tunisia. 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 June 30, 2009.

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 June 30, 2008, the following commodity price risk contract was in place:

Term	Contract	Volume (GJs/d)	Fixed price
Feb 1, 2008 – October 31, 2008	Swap	2,000	$7.05

Adoption of new accounting policies

On January 1, 2009, the Company prospectively adopted CICA section 1582 Business Combinations. This section establishes principles and requirements of the acquisition method for business combinations and related disclosures. Adoption of the statement did not have a material impact on the Company's statement of operations.

On January 1, 2009, the Company adopted CICA sections 1601 Consolidated Financial Statements and 1602 Non-Controlling Interests. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. Adoption of the statement did not have a material impact on the Company's statement of operations.

The Canadian Accounting Standards Board requires all public companies to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted if certain conditions are met. Companies will be required to provide IFRS comparative information for the previous fiscal year. At this time the Company cannot reasonably estimate the impact of adopting IFRS on the Company's consolidated financial statements.

Sensitivities

The following sensitivity analysis is provided to demonstrate the impact of changes in commodity prices on 2009 petroleum and natural gas sales and is based on the balances disclosed in this MD&A and the consolidated financial statements for the six months ended June 30, 2009:

($ thousands)	Petroleum and Natural Gas Sales (1)
Change in average sales price for natural gas by $1.00/mcf	**2,905**
Change in the average sales price for crude oil and natural gas liquids by $1.00/bbl	**102**
Change in natural gas production by 1 mmcf/d (2)	**782**
Change in crude oil and natural gas liquids production by 100 bbls/d (2)	**950**

(1) Reflects the change in petroleum and natural gas sales for the six months ended June 30, 2009.
(2) Reflects the change in production multiplied by the Company's average sales prices for the six months ended June 30, 2009.

Quarterly financial summary

($ thousands except per share and production amounts)

	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Production								
Natural gas (mcf/d)	**15,094**	17,016	15,726	17,268	18,626	15,123	15,366	12,838
Oil and natural gas liquids (bbl/d)	**601**	531	599	689	766	590	636	516
Total (boe/d)	**3,117**	3,367	3,220	3,567	3,871	3,110	3,197	2,656
Petroleum and natural gas sales	**8,132**	9,792	13,213	20,494	24,824	15,932	13,039	10,248
Net loss	**(9,888)**	(8,986)	(18,189)	(2,117)	(1,589)	(1,863)	(9,129)	(2,865)
Loss per share – basic	**(0.06)**	(0.05)	(0.11)	(0.01)	(0.01)	(0.01)	(0.07)	(0.02)
Cash flow from (used for) operations	**(7,796)**	(1,411)	4,654	9,330	10,723	9,194	3,033	2,101
Cash flow per share - basic	**(0.05)**	(0.01)	0.03	0.06	0.07	0.07	0.02	0.02

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 Operating Officer ("COO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding public disclosure.

Management, including the COO and CFO, has evaluated the effectiveness of the Company's disclosure control and procedures as of June 30, 2009. Based on this evaluation, Management concluded during the interim period ended June 30, 2009, no material changes in the Company's internal controls and procedures have occurred during the Company's most recent interim period, which have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

As reported in the Company's 2008 annual MD&A, the Company concluded that the following material weaknesses in internal controls over financial reporting as of December 31, 2008 existed:

- The Company did not effectively implement certain corporate governance policies; and
- The Company did not have effective policies and procedures governing the authorization of transactions including material agreements.

Remediation Effort in 2009

The Company is taking steps to augment and improve the design of procedures and controls impacting these areas of weakness in internal controls over financial reporting. We have implemented or are implementing the following measures, which will improve significantly our disclosure controls, procedures and internal control over financial reporting:

- The Company will implement a delegation of authority to guide decisions and provide guidance to the dollar level amount of transactions that can be entered into by employees at all levels; and
- The implementation of a Board of Directors Mandate and a Corporate Governance mandate to be reviewed and approved on an annual basis.

Management believes that, through implementation of the measures noted above, we will address the conditions identified above as material weaknesses. We will monitor the effectiveness of these measures, and our internal control over financial reporting on an ongoing basis. We will continue to asses our remediation plans and will take further action, as appropriate, to strengthen our internal control over financial reporting.

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 3200, 500 – 4th Avenue S.W., Calgary, Alberta, Canada T2P 2V6 and on the Company's website at www.cansup.com.