

CANADIAN SUPERIOR ENERGY INC.

AUDIT COMMITTEE CHARTER

ESTABLISHMENT OF COMMITTEE

1. Audit Committee

The Board of Directors (the “Board”) of Canadian Superior Energy Inc. (the “Corporation”) has established an audit committee (the “Audit Committee” or the “Committee”) of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of its financial statements.

2. Composition of Committee

- (a) The Audit Committee will consist of at least three directors. All members of the Committee must be independent as defined in applicable securities laws (subject to permitted exemptions under those laws) and the rules of any stock exchange on which the Corporation’s securities are listed for trading.
- (b) Each member of the Audit Committee must be financially literate, or become financially literate within a reasonable period of time following his or her appointment to the Committee (provided that the Board has determined that this will not materially adversely affect the ability of the Committee to satisfy its responsibilities). A member is financially literate under applicable securities laws if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
- (c) At least one-quarter of the members of the Audit Committee must be resident Canadians.

3. Appointment of Committee Members

Members of the Audit Committee will be appointed by the Board and re-appointed at the meeting of the Board immediately following each annual meeting of shareholders. Committee members will hold office until the next annual meeting or earlier if their successors are appointed, they are removed by the Board or they cease to be directors of the Corporation.

4. Compensation of Committee Members

The Board will fix the remuneration of the members of the Audit Committee and may provide additional remuneration to the Chair of the Committee. Other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or as a part-time chair or vice-chair of the Board or any Board committee, or as otherwise permitted by applicable securities laws, no consulting, advisory or other compensatory fee will be paid to a member of the Audit Committee by the Corporation or any subsidiary of the Corporation.

5. Vacancies

When a vacancy occurs in the membership of the Audit Committee, it may be filled by the Board and must be filled by the Board if the membership of the Committee as a result of the vacancy is less than three directors. Any member may be removed or replaced at any time by the Board. Any member will cease to be a member upon ceasing to be a director.

COMMITTEE PROCEDURES

6. Committee Chair

The Board will appoint a Chair for the Audit Committee.

7. Absence of Committee Chair

If the Chair is not present at any meeting of the Audit Committee, one of the other members of the Committee present at the meeting will be chosen by the Committee to preside at the meeting.

8. Secretary of Committee

The Secretary of the Company shall be the secretary to the Committee unless the Committee designates otherwise.

9. Meetings

The Audit Committee will meet at least four times per year. All Committee members are expected to attend each meeting, in person or by telephone - or video-conference. The Committee shall only act on the affirmative vote of a majority of members. A resolution in writing, signed by all the Audit Committee members entitled to vote on that resolution at a meeting of the Committee, is as valid as if it had been passed at a meeting of the Committee.

10. Notice of Meetings

- (a) A meeting of the Audit Committee may be called by any member of the Committee, by the Chairman of the Board, the chief executive officer or the chief financial officer of the Corporation (or persons holding equivalent offices) or by the external auditor. Notice of the time and place of a meeting will be given in writing or by electronic communication to each member of the Committee and to the external auditor prior to the time fixed for the meeting.
- (b) A member of the Audit Committee may in any manner waive notice of a Committee meeting. Attendance of a member at a Committee meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

11. Quorum and Participation

- (a) A majority of the number of members of the Audit Committee appointed by the Board constitutes a quorum at any meeting of the Committee.
- (b) A member of the Audit Committee may, if all the members of the Committee consent, participate in a meeting of the Committee by means of a telephonic, electronic or other

communication facility that permits all participants to communicate adequately with each other during the meeting. A member participating in a Committee meeting by those means is deemed to be present at that meeting.

12. Attendance by External Auditor and Others

- (a) The external auditor is entitled, at the expense of the Corporation, to attend and be heard at every meeting of the Audit Committee, and, if so requested by a member of the Committee, shall attend every meeting of the Committee held during the term of office of the external auditor.
- (b) At the invitation of the Chair of the Audit Committee, one or more officers or employees of the Corporation or directors who are not members of the Committee may attend a meeting of the Committee.

13. Procedure, Records and Reporting

The chair of the Committee shall report regularly to the Board on the Committee's activities, findings and re commendations. Minutes of all meetings shall be made available to the Board, and all information reviewed and discussed by the Committee at any meeting shall be retained and made available for examination by the Board upon request of the chair.

14. Independent Advisors

The Audit Committee may engage independent counsel and other advisors as it determines necessary to carry out its duties. Furthermore, the Committee has the authority to set and pay the compensation for any such advisors which are employed by the Committee. The Corporation will provide the Committee adequate funds to cover fees and other costs incurred in carrying out its duties and responsibilities.

15. Review of Committee Performance and Charter

At least annually the Committee will review its performance and effectiveness and report the results to the Board. The annual review will include an assessment of the adequacy of this Charter and the Committee will recommend any proposed changes to the Board for approval.

16. Duties and Reliance

- (a) In exercising their powers and discharging their duties under this charter and applicable law, each member of the Audit Committee must (i) act honestly and in good faith with a view to the best interests of the Corporation and (ii) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- (b) Each member of the Audit Committee will be entitled to reasonable reliance, or reliance in good faith, on:
 - (i) financial statements of the Corporation represented to the member of the Committee by an officer of the Corporation or in a written report of the external auditor of the Corporation to reflect fairly the financial condition of the Corporation;

- (ii) the Corporation's disclosure compliance system and on the Corporation's officers, employees and others whose duties would in the ordinary course have given them knowledge of the relevant facts; and
- (iii) a report, statement or opinion of an expert, being a person or company whose profession gives authority to a statement made in a professional capacity by the person or company including, without limitation, an accountant, actuary, appraiser, auditor, engineer, financial analyst, geologist or lawyer.

MANDATE OF COMMITTEE

17. External Auditor

- (a) The external auditor will report directly to the Audit Committee, be responsible for planning with the Corporation and carrying out the audit of the annual financial statements (and any requested review of quarterly financial statements) and ultimately be accountable to the Audit Committee and the Board as the representatives of the shareholders.
- (b) The Audit Committee will recommend to the Board:
 - (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
 - (ii) the compensation of the external auditor.
- (c) The Audit Committee will be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the following:
 - (i) review of the mandate of the external auditor, including the annual engagement letter, audit plan, audit scope and the factors considered in determining the audit scope, including the major risk factors; and confirmation as to whether or not any limitations have been placed on the scope or nature of the external auditor's audit procedures;
 - (ii) review of significant accounting and reporting principles, practices and procedures applied by the Corporation in preparing its financial statements, including discussions with the external auditor of its judgments about the quality, not just the acceptability, of the Corporation's accounting principles used in financing reporting;
 - (iii) review of the independence of the external auditor, and obtain from the external auditors, at least annually, a formal written statement delineating all relationships between the external auditors and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees;
 - (iv) review any rotation of the partners assigned to the audit in accordance with applicable laws and professional standards, the internal quality control findings of the external auditor's firm and peer reviews;

- (v) review of the performance of the external auditor, including the relationship between the external auditor and management and the evaluation of the lead partner of the external auditor;
 - (vi) termination or resignation of the external auditor if circumstances warrant, after due inquiry and discussion with management and the external auditor;
 - (vii) resolution of disagreements between management and the external auditor regarding financial reporting;
 - (viii) review of material written communications between the external auditor and management;
 - (ix) review of the annual management letter from the external auditor regarding internal controls and opportunities for improvement or efficiency, plus management's response and follow-up in respect of any identified weakness; and
 - (x) communication with the external auditor regarding such other matters as are required by the Canadian Institute of Chartered Accountants Handbook and other professional standards.
- (d) As necessary or desirable, but in any case at least quarterly the Audit Committee will meet or communicate directly with the external auditor and members of management, in separate executive sessions, as required or appropriate to discharge the responsibilities of the Committee. Discuss with the external auditor, without management being present, (a) the quality of the Corporation's financial and accounting personnel, and (b) the completeness and accuracy of the Corporation's financial statements. Also, elicit the comments of management regarding the responsiveness of the external auditors to the Corporation's needs.
- (e) Have a predetermined arrangement with the external auditor that it will advise the Committee, through its Chair and management of the Corporation, of any matters identified through procedures followed for the review of interim quarterly financial statements of the Corporation, and that such notification is to be made prior to the related press release. Also receive a written confirmation provided by the external auditor at the end of each of the first three quarters of the year that it has nothing to report to the Committee, if that is the case, or the written enumeration of required reporting issues.

18. Non-Audit Services

- (a) The Audit Committee will pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the external auditor.
- (b) The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services. The pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval.
- (c) Pre-approval of *de minimus* non-audit services will be satisfied if:

- (i) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiaries to the Corporation's external auditor during the fiscal year in which the services are provided;
 - (ii) the Corporation or the subsidiary, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
 - (iii) the services are promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.
- (d) Pre-approval of non-audit services will also be satisfied if the Audit Committee adopts specific policies and procedures for the engagement of non-audit services and:
- (i) the pre-approval policies and procedures are detailed as to the particular service;
 - (ii) the Audit Committee is informed of each non-audit service; and
 - (iii) the procedures do not include delegation of the Audit Committee's responsibilities to management.

19. Financial and Other Disclosure

- (a) The Audit Committee will review, discuss with management (and the external auditor where required or appropriate) and, if required or appropriate, approve or recommend that the Board approve the following Corporation documents prior to public disclosure:
- (i) annual audited financial statements and related management's discussion and analysis;
 - (ii) quarterly unaudited financial statements and related management's discussion and analysis;
 - (iii) certifications by the chief executive officer and chief financial officer of annual and quarterly filings, disclosure controls and procedures and internal controls over financial reporting;
 - (iv) news releases announcing financial results, containing financial information based on unreleased financial results or non-GAAP financial measures or providing earnings guidance or forward-looking financial information; and
 - (v) financial information contained in any annual information form, information circular, prospectus, take-over bid circular, issuer bid circular or rights offering circular.
- (b) The Audit Committee will be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and will periodically assess the adequacy of those procedures.

- (c) The Audit Committee will review the disclosure required by applicable securities laws to be included in its annual information form and cross-referenced in a management information circular to solicit proxies from the shareholders of the Corporation for the purpose of electing directors to the Board. That disclosure will consist of the text of this charter, the composition of the Audit Committee, the relevant education and experience of Committee members, reliance on certain exemptions from securities laws relating to audit committees, oversight of the nomination and compensation of the external auditor, policies and procedures for non-audit services and external auditor service fees.

20. Financial Reporting Processes

- (a) The Audit Committee will review with management and the external auditor:
 - (i) the appropriateness of the Corporation's accounting principles and policies and financial reporting;
 - (ii) any changes to the Corporation's accounting principles and policies and financial reporting as such changes are recommended by management or the external auditor;
 - (iii) the accounting treatment of significant risks and uncertainties;
 - (iv) key estimates and judgments of management that may be material to the Corporation's financial reporting;
 - (v) significant changes to the audit plan, if any; and
 - (vi) Any serious disputes or difficulties with management encountered during the audit and the cooperation received by the external auditor during its audit, including access to all requested records, data and information.
- (b) The Audit Committee will in particular review the following specific matters, where material:
 - (i) the effect of regulatory and accounting initiatives;
 - (ii) extraordinary transactions;
 - (iii) the use of special purpose entities;
 - (iv) off-balance sheet transactions;
 - (v) financial risk management, including the use of derivatives;
 - (vi) asset retirement or reclamation obligations;
 - (vii) pension obligations;
 - (viii) commitments, contingencies and guarantees;
 - (ix) related party transactions;
 - (x) actual or pending legal claims, tax or regulatory matters; and

- (xi) any other matters of accounting or auditing risk.

21. Other Responsibilities

- (a) The Audit Committee will establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (b) The Audit Committee will review on a timely basis all discovered incidents of fraud within the Corporation, regardless of monetary value;
- (c) The Audit Committee will oversee any auditing or accounting reviews or similar procedures or investigations and may conduct its own investigations with full access to books, records, facilities and personnel of the Corporation.
- (d) The Audit Committee will at least annually provide oversight of the Corporation's risk management policies.
- (e) The Audit Committee will review and approve the Corporation's policies regarding officer and director expenses, perquisites and use of corporate assets, and may review expenses actually incurred by the chief executive officer and other senior officers.
- (f) The Audit Committee will review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditor of the Corporation.
- (g) Review with management, internal audit and the external auditors the methods used to establish and monitor the Corporation's policies with respect to unethical or illegal activities by Corporation employees that may have a material impact on the financial statements.
- (h) Generally as part of the review of the annual financial statements, receive a report(s), at least annually, from the Corporation's counsel concerning legal, regulatory and compliance matters that may have a material impact on the financial statements.
- (i) Coordinate with the Reserves Committee as necessary concerning the disclosure of information with respect to the Corporation's oil and gas reserves, including the Corporation's procedures for complying with the disclosure requirements and restrictions of applicable regulations.
- (j) Review with the external auditor the internal controls on computerized information system controls and security.
- (k) The Audit Committee will review and/or approve any other matters specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its responsibilities.