

CANADIAN SUPERIOR ENERGY INC
Form 40-F
April 01, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 40-F

(Check One)

- ☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**
- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

Commission File Number: 001-31395

CANADIAN SUPERIOR ENERGY INC.

(Exact name of Registrant as specified in its charter)

Alberta
(Province or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial
Classification Code (if applicable))

Not Applicable
(I.R.S. Employer Identification Number (if
applicable))

Suite 2700, 605 5th Avenue SW

Calgary, Alberta, Canada T2P 3H5

(403) 294-1411

(Address and telephone number of Registrant's principal executive offices)

PTSGE Corp.

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Attn: Gary Kocher

925 Fourth Avenue, Suite 2900

Seattle, Washington 98104

(206) 623-7580

(Name, address (including zip code) and telephone number

(including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title	Name of Each Exchange on Which Quoted
Common Shares	American Stock Exchange Toronto Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None.**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None.**

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual information form ☒ Audited annual financial statements

Indicate number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The Registrant had 140,312,273 common shares outstanding as of December 31, 2007

Indicate by check mark whether the Registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes ☐ No ☒

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ x

No ☐ o

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Except where otherwise indicated, all dollar amounts stated in this Annual Report on Form 40-F are Canadian dollars.

Principal Documents

The following documents have been filed as part of this Annual Report on Form 40-F:

A. Annual Information Form

For our Annual Information Form for the twelve-month period ended December 31, 2007, see Exhibit 99.1 to this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For our Consolidated Audited Financial Statements for the twelve-month period ended December 31, 2007, including the report of independent registered public accounting firm with respect thereto, see Exhibit 99.2 to this Annual Report on Form 40-F. For a reconciliation of important differences between Canadian and United States generally accepted accounting principles, see Note 19 of the Notes to the Consolidated Financial Statements.

C. Management's Discussion and Analysis

For Management's Discussion and Analysis for the twelve-month period ended December 31, 2007, see Exhibit 99.3 to this Annual Report on Form 40-F.

Disclosure Controls and Procedures

In accordance with the Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (the Exchange Act), under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of December 31, 2007. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, because of material weaknesses described below in Internal Control over Financial Reporting, our disclosure and procedures were not effective as of December 31, 2007.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and designing such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles (GAAP), including a reconciliation to U.S. GAAP. Our management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that our internal control over financial reporting was not effective as December 31, 2007 due to the material weaknesses described below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

During the fourth quarter of 2007 a new CEO was hired along with a new CFO and finance and accounting team in the first quarter of 2008. Although material deficiencies existed at December 31, 2007, the Corporation has taken significant steps in Q1 2008 to alleviate in the near term some of the noted material weaknesses, such as segregation of duties and financial preparation and review procedures and has implemented an aggressive plan that by the end of 2008 all noted material weaknesses at December 31 will be substantially eliminated.

Management's assessment identified the following material weaknesses in internal control over financial reporting as of December 31, 2007:

- There are no effective controls or procedures related to significant accounts or processes to provide reasonable assurance that transactions are recorded accurately, are recorded timely and are complete;

- The Corporation was not adequately staffed with accounting personnel possessing an adequate level of technical expertise and did not maintain effective segregation of duties over automated and manual transactions leading to ineffective monitoring, supervision and reviews.
- The Corporation did not maintain effective controls over the safeguarding of monetary assets. The material weakness affects cash and short-term investments.

Meyers Norris Penny LLP, the independent registered public accounting firm that audited our consolidated financial statements has issued an attestation report on our internal control over the financial reporting. For Meyers Norris Penny LLP's report, see Exhibit 99.5 to this Annual Report on Form 40-F.

Remediation Effort

Our management completed its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2007, and in performing its assessment, identified the material weaknesses described above. These material weaknesses have been discussed with the Audit Committee. The Audit Committee has taken an active role in overseeing management's implementation of the remedial measures described below. By implementing these remedial measures, management intends to improve our internal control over financial reporting and to avoid material misstatements in consolidated financial statements prepared for external purposes, in the future. Our management is working under the supervision of the Audit Committee to identify and implement additional corrective actions, where required, to improve the effectiveness of our internal control over financial reporting, including the enhancement of systems and procedures.

We have implemented or are implementing the following measures, which will improve significantly our internal control over financial reporting:

- The hiring of 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;
- The implementation of regular management meetings to provide operational, financial, and accounting updates of the Corporation;
- A budgeting process which will compare actual results to budgeted results for management to review and query on a monthly basis;
- The implementation of controls to safeguard monetary assets; and

- The initiation of an ongoing and comprehensive review of financial controls and procedures to address the issues identified above and to bring into compliance with the requirements of the Sarbanes-Oxley Act with respect to internal controls and procedures.

Management believes that, through implementation of the measures noted above, we will begin to 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 assess our remediation plans and will take further action, as appropriate, to strengthen our internal control over financial reporting.

Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Squires is an audit committee financial expert serving on our audit committee (as defined in paragraph 8(b) of General Instruction B to Form 40-F). Our Board of Directors has determined that Mr. Squires is independent pursuant to the standards of the American Stock Exchange. For a description Mr. Squires' relevant experience in financial matters, see his employment history in the section "Directors and Officers" in our Annual Information Form for the year ended December 31, 2007, which is filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Code of Ethics

Our code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions is disclosed in our Code of Business Conduct and Ethics, which is applicable to all of our directors, officers and employees. Our Code of Business Conduct and Ethics is filed as Exhibit 99.4 to this Annual Report on Form 40-F. In the event that we:

(i) amend any provision of our Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions that relates to any element of the code of ethics definition enumerated in paragraph (9)(b) of General Instruction B to Form 40-F, or

(ii) grant a waiver, including an implicit waiver, from a provision of our Code of Business Conduct and Ethics to any of our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions that relates to any element of the code of ethics definition as enumerated in paragraph (9)(b) of General Instruction B to Form 40-F,

then we will disclose in a Form 6-K any such amendment or waiver. Such disclosure will specifically describe the nature of the amendment or waiver, and will, in the case of a waiver, name the person to whom the waiver was granted.

Principal Accountant Fees and Services

The following table provides information about the fees billed to us for professional services rendered by Meyers Norris Penny LLP, our principal accountant during fiscal years 2007 and 2006:

	2007	2006
Audit fees	\$ 201,798	\$ 141,820
Audit-related fees	52,115	35,490
Tax fees	7,420	6,400
All other fees	50,032	44,245
Total fees	\$ 311,365	\$ 227,955

Audit Fees. Audit fees consist of fees for the audit of our annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. Audit-related fees included fees relating to the review of our quarterly financial statements.

Tax Fees. Tax fees included tax compliance, tax planning, tax advice and various taxation matters.

All Other Fees. All other fees consists of services provided by our principal accountant other than audit, audit-related and tax services, including prospectus and other offering related work.

Pre-Approval Policies

All audit and non-audit services performed by our auditors for the 2007 and 2006 fiscal years were pre-approved by our audit committee. It is our policy that all audit and non-audit services performed by our auditors will continue to be pre-approved by our audit committee.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements to report.

Disclosure of Contractual Obligations

In the normal course of business we are obligated to make future payments. These obligations represent contracts and other commitments that are known and committed.

	Total	Payment Due by Period			
		Less than 1 year	1 3 years	3 5 years	More than 5 years
Long-term debt obligations					
Capital (finance) lease obligations					
Operating lease obligations	\$ 1,122,543	\$ 471,166	\$ 651,377		
Purchase obligations					
Other long-term liabilities reflected on the Company's balance sheet under the GAAP of the primary financial statements					
Total	\$ 1,122,543	\$ 471,166	\$ 651,377		

Audit Committee

We have established an audit committee in accordance with section 15 U.S.C. 78c(a)(58)(A). Each of the following directors serves on the audit committee: Mssrs. Squires, Watkins and Dallas. See the section entitled "Audit Committee" in our Annual Information Form for the year ended December 31, 2007, which is filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Undertaking

We undertake to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when required to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

We have previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this Annual Report on Form 40-F arises. Any change to the name and address of the agent for service for service of process shall be communicated promptly to the Securities and Exchange Commission by an amendment to the Form F-X.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

CANADIAN SUPERIOR ENERGY INC.

By:	/s/ CRAIG MCKENZIE
Name:	Craig McKenzie
Title:	Chief Executive Officer
Date:	March 30, 2008

EXHIBITS

Exhibit	Description
99.1	Annual Information Form of the Registrant for the twelve-month period ended December 31, 2007.
99.2	Consolidated Audited Financial Statements of the Registrant for the twelve-month period ended December 31, 2007, including Auditors' Report to the Shareholders.
99.3	Management's Discussion and Analysis of the Registrant for the twelve-month period ended December 31, 2007.
99.4	Code of Ethics.
99.5	Report of Meyers Norris Penny LLP on Internal Control over Financial Reporting.
99.6	Consent of Meyers Norris Penny LLP.
99.7	Consent of GLJ Petroleum Consultants Ltd.
99.8	Certifications of Chief Executive Officer pursuant to Rule 13a-14(a).
99.9	Certifications of Chief Financial Officer pursuant to Rule 13a-14(a).
99.10	Certifications of Chief Executive Officer pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
99.11	Certifications of Chief Financial Officer pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).