

Company Summary

September 4, 2009

International Sovereign Energy Corp. (ISR : TSX)

Current Price : \$0.39

Coverage Initiated: \$0.70 (April 3, 2009)

Highlights:

- potential for drilling 3-5 additional wells during second half of 2009
- stable balance sheet with \$8.5 million line of credit available
- focused on increasing oil weighting in overall production mix
- trading at low valuation of NAV, book value, production, and price to cash flow

DISCUSSION:

International Sovereign (ISR) is active in the exploration and development of hydrocarbon reserves in Western Canada and internationally. A new board of directors was elected at the company's AGM on June 23, 2008. Since this time, the new management team has been instrumental in improving production domestically, while reducing debt, controlling overhead expenditures, and placing ISR on a sound financial base from which to grow. New management has strategically moved the company away from international ventures that require a high risk profile and are instead focusing on domestic growth through the drill bit where high success rates have been achieved.

ISR's properties in Western Canada include Berwyn, Leaman, Little Bow, Medicine River, Red Earth, Swan Hills, Wildmere, and Boundary Lake in Alberta, as well as Clarke Lake, Fort St. John, and Inga in B.C. Internationally, the company has interests in Pakistan and Ecuador.

Under the new management team, International Sovereign's first major project was the 100% interest Berwyn 7-11 well, which was drilled in Q3 2008 and placed on production in Q4 2008. The well is currently producing about 1.2 mmcf/d (200 boepd). The Berwyn area is a major focus of the company. Other significant property interests include Boundary Lake and Medicine River, Alberta. At Boundary Lake, the company completed a 3 well drilling program in mid-2008 that contributes net production of about 350 boepd. The Medicine River area has limited development potential but produces about 15% to 20% of total production.

As at December 31, 2008, the company's proven and probable reserves were estimated to be 2,699 mboe and were valued at \$46.5 million or \$2.89 per share, using a 10% discount rate.

For the six months ended June 30, 2009, ISR's revenues were \$4.65 million, down from \$9.37 million in 2008. Despite an increase in year-over-year production from 843 boepd to 975 boepd, the drop in revenues can largely be attributed to a 42% decrease in the price of oil and a 55% decline in the company's average natural gas sale price. For the six months, Int'l Sovereign reported cash flow of \$1.1 million or \$0.07 per share. In addition to significantly lower commodity prices the company provided for forfeiture of its interest in the Sukkur and Sujawal Blocks in Pakistan in the current period in the amount of \$954,064.

The company exited the second quarter at 899 boepd (964 boepd including wells stopped for maintenance) and still has an estimated 300 boepd of behind pipe production at Berwyn. Management is currently evaluating the options to bring the production on stream this year, with the major factor being current natural gas prices.

In May 2009, ISR defaulted on its obligation to maintain a 15% interest in the Sukkur and Sujawal Blocks in Pakistan. Management believes that capital is presently better spent on its domestic drilling program that has substantially shorter payback periods. The company has thus elected not to remedy the default, but to seek out parties that would take over its obligations. Although the Koonj Well, in the Sukkur Block, drilled in July 2008 has proven reserves, the operator has yet to start production despite assurances going back to November 2008. Management is not confident that the production will commence in a timely manner, and the initial reserve estimates subsequent to drilling have been downgraded substantially.

In Ecuador, Int'l Sovereign owns 100% of the Charapa Concession which is currently being analyzed in detail to determine whether or not continuation of this investment is financially viable given that its banking covenants only allow cash flow from domestic operations to fund international operations. All environmental permits have been received for this property.

International Sovereign has plans during the balance of 2009 to further explore & develop the Berwyn/Grimshaw area, as well as continue to explore new areas within the Peace River arch later this winter. The company's remaining drilling program currently has 3-5 more wells planned for the balance of the year, with a focus on diversifying its product mix more towards oil (currently 85% gas). ISR is in the enviable position of having a stable balance sheet, growing production, an \$8.5 million credit facility, and significant growth opportunities. The company appears to be well positioned to weather the current economic turmoil while preparing for future growth once better conditions return. Based on Q2 average production of 954 boepd, the company has a market cap per flowing boe of just \$6,580.

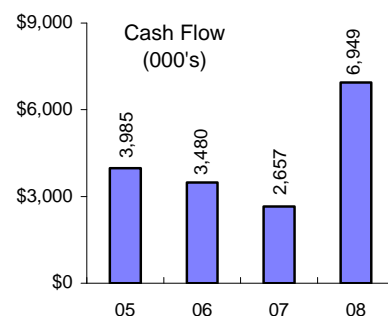
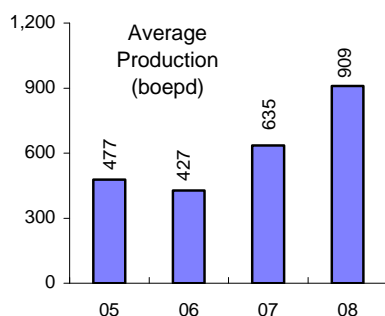
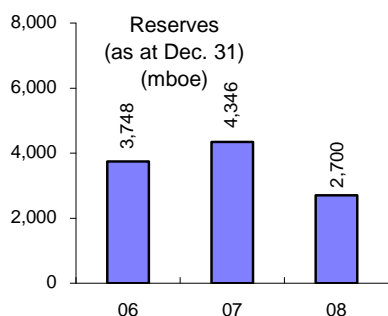
FINANCIAL AND OPERATING RESULTS

3 months ended Jun. 30 6 months ended Jun. 30

	2009	2008	2009	2008
FINANCIAL (000's)				
Revenues	\$2,108	\$5,390	\$4,653	\$9,367
Cash Flow	593	1,238	1,100	3,149
per share	0.04	0.09	0.07	0.23
Net Loss	(1,931)	(3,780)	(3,037)	(3,291)
per share	(0.12)	(0.27)	(0.19)	(0.23)
PRODUCTION				
Oil & NGLs (bpd)	123	216	119	231
Natural Gas (mcf/d)	4,988	3,831	5,139	3,673
Boepd (6:1)	954	854	975	843

For the years ended December 31 (000's)

	2005	2006	2007	2008
FINANCIAL				
Revenues	\$7,979	\$7,120	\$9,634	\$18,471
Cash Flow	3,985	3,480	2,657	6,949
per share	0.333	0.263	0.191	0.478
Net Income	826	65	(335)	(3,800)
per share	0.069	0.005	(0.024)	(0.261)
PRODUCTION				
Boepd (6:1)	477	427	635	909



MANAGEMENT & DIRECTORS:

Eugene Hretzay, *President & CEO*

Sharad Mistry, *CFO*

John Riad, *Operations Manager*

Javaid Shahid, *Controller*

Brian McManaman, *Land Manager*

Scott Stoyles, *P. Geologist*

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BALANCE SHEET

(As at June 30, 2009)

Current Assets	\$ 945,234
Total Assets	31,131,417
Current Liabilities	3,610,906
Long-Term Debt	nil
Shareholders' Equity	20,930,960

SHARES OUTSTANDING

(As at June 30, 2009)

Basic	*16,096,084
Fully-diluted	**18,352,728

* management and directors hold approximately 6% of the basic shares issued and outstanding
 **there are 1,626,644 warrants and 630,000 stock options included in the fully-diluted shares

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