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International Sovereign Energy Corp. (ISR: TSX)

Date: April 3, 2009

Price: \$0.70



SHARE DATA (as at April 3, 2009)

52-Week High/Low	\$1.90 - \$0.51
3-Mth Avg. Trading Volume	21,676 shares
Shares (millions)	Basic 16.1 F/D 17.5
Market Capitalization	\$11.3 million
Market Cap per Flowing boe (1,100 boepd)	\$10,243
NAV (10% DCF)	\$43.8 million

KEY INFORMATION	2006A	2007A	2008A
Average Production (boepd)	427	635	909
Cash Flow (000's)	3,458	2,638	6,949
per share	0.26	0.19	0.48
Price/CF	3.2	4.3	1.5
Debt/CF	-	1.1	0.4
Production Costs per boe	11.16	14.30	9.91
Netback	29.65	20.01	33.78

FINANCIAL DATA (000's of Canadian Dollars)

	3 Months Dec. 31		Yr Ended Dec. 31	
	2008	2007	2008	2007
Revenues	3,541	2,507	18,471	9,634
Cash Flow	951	717	6,949	2,657
per share	0.067	0.051	0.478	0.191
Net Income	(1,659)	(92)	(3,800)	(335)
per share	(0.117)	(0.007)	(0.261)	(0.024)

PRODUCTION DATA

	2008	2007	2008	2007
Nat. Gas (mcf/d)	5,413	2,646	4,258	2,308
Oil & NGLs (bpd)	150	211	200	250
Boepd (6:1)	1,052	652	909	635

BALANCE SHEET (as at December 31, 2008)

Current Assets	\$ 3,082,306
Total Assets	37,117,644
Current Liabilities	5,733,149
Long-Term Debt	nil
Shareholders' Equity	23,878,065

Highlights:

- increasing domestic production with international exploration
- stable balance sheet with unutilized \$10 million line of credit
- expected tie-in of Pakistani well during 2010
- trading at low valuation of NAV, book value, production, and price to cash flow

International Sovereign Energy Corp. (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 annual general meeting on June 23, 2008. Since this time, the new management team has been instrumental in improving production domestically, while eliminating debt, reducing and controlling overhead expenditures, and placing ISR on a sound financial base from which to grow and take advantage of acquisition opportunities. 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.

For the year ended December 31, 2008, ISR participated in the drilling of 5 (2.38 net) gas wells resulting in 1.98 net gas wells for an 83% success rate.

Under the new management team, the first major project was the 100% interest Berwyn 7-11 well, which was drilled in the third quarter of 2008 and placed on production in November. Management projects the well is capable of 1.4 mmcf/d (250 boepd) but came onstream at a reduced rate of 750 mcf/d which has since been increased to 1.2 mmcf/d (200 boepd). The Berwyn area is a major focus of the company.

Also during the third quarter of 2008, the Koonj well no. 1A in the Sukkur development of Pakistan was successfully tested and is being prepared for tie-in into the gas gathering system. The well was tested at gross rates of 15 mmcf/d and is expected to have commercial sales in 2010. ISR has a direct 15% interest in the Sukkur Block with Mari Gas Company Limited (MGCL), the second largest producer of gas in Pakistan. The farm-in agreement provides that the company be responsible for 25% of the development costs of the first 3 wells in the Sukkur field. Plans are in the works for an additional high impact well which is expected to be drilled in the first half of 2010.

Other significant property interests for ISR include Boundary Lake and Medicine River, Alberta. At Boundary Lake, the company has completed a 3 well drilling program. The first well (31.6% interest) was placed onstream in early April 2008, and the other two wells (40% interest) were tied-in after spring break-up. Net production from these 3 wells is about 350 boepd.

At Medicine River, ISR holds an 85% working interest in the 2-25 twin gas well, which commenced production during the last week of December 2007. The area has limited development potential but produces about 15% to 20% of corporate production.

Internationally, Int'l Sovereign also owns and operates the 25,050 hectare Charapa Concession in Ecuador. The Concession contains 3 prospective structures, of which one is drill ready based on existing seismic. The new management team has prepared a revised work program after meeting with Petro Ecuador officials and is actively seeking a farm out to mitigate the company's risk in this politically volatile country.

For the year ended Dec. 31, 2008, ISR's revenues increased by 93% to \$18.5 million. Average production for the year grew to 909 boepd from 635 boepd in 2007. Cash flow for 2008 improved by 162% to \$6.9 million (\$0.48 per share) from \$2.7 million (\$0.19 per share). There was a net loss of \$3.8 million for the year compared to a loss of \$0.3 million in 2007. It should be noted that 2008 results include certain non-recurring items such as payments withdrawn by former executives prior to the 2008 AGM, proxy vote expenses, and the impairment of int'l assets. Without these items, cash flow for 2008 would have been \$8.6 million (\$0.59 per share) and net income would have been \$3.4 million (\$0.23 per share).

Production averaged 1,052 boepd (85% natural gas) during the fourth quarter of 2008 compared with 652 boepd (68% natural gas) during the same period in 2007. The company exited the quarter at 1,019 boepd and is currently producing about 1,100 boepd plus an estimated 300 boepd behind pipe in the Berwyn field.

Capital expenditures were \$7.9 million during 2008. The CAPEX program for 2009 is presently budgeted at approximately \$9 million.

In September 2008, the company completed a \$2.65 million financing by issuing 2,168,000 units at \$1.25. The infusion of capital allowed ISR to eliminate its bank debt. Also during the fourth quarter of 2008, the company secured a \$10 million credit facility with National Bank which remains undrawn at this time.

As at December 31, 2008, the company's proven and probable reserves were estimated to be 2,699 mboe, a decrease of 37% from year-end 2007. The reason for the decline in P+P reserves was due to the company's Marwayne property watering out, technical revisions based on production history, and certain undeveloped projects being no longer economically viable. The present value of the 2008 P+P reserves were estimated to be \$46.5 million or \$2.89 per share.

ISR is in the enviable position of having a stable balance sheet, growing production with additional production behind pipe, an unutilized \$10 million credit facility, and significant growth opportunities both domestically and internationally. The company appears to be well positioned to weather the current economic turmoil while preparing for future growth once better economic conditions return. ISR is presently trading at only 1.5 times cash flow for 2008 and at only 0.25 of its net asset value. Furthermore, with current production of 1,100 boepd, the company has an enterprise value per flowing boe of \$10,243, one of the lowest in our research database.

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