Hyperion Exploration

(HYX-V: C$0.83)

November 28, 2011

Aaron Swanson, CFA / (403) 206-3928
aswanson@dundeesecurities.com
Graydon Falls, CFA / (403) 509-2670
gfalls@dundeesecurities.com

BUY, High Risk*

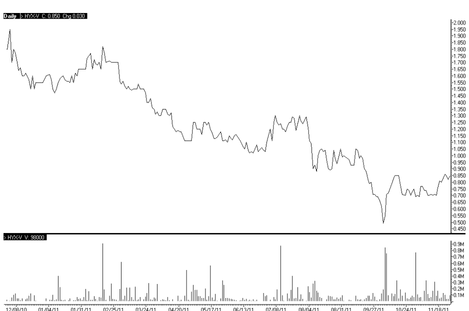
12-month target price: C$1.65 (was $1.90)

Gathering Steam Through the Fourth Quarter

Market Information (C$)			
Market Cap (MM)			$60.0
Basic Shares (MM)			54.2
F.D. Shares (MM)			72.3
52-week High/Low			$1.05-$2.00
3-Month Avg Daily Trading Vol			104,235
Potential Return			99%
Financial Data			
FYE: Dec. 31	**2010A**	**2011E**	**2012E**
Crude Oil ($US/bbl)	**$79.51**	**$92.50**	**$88.00**
NYMEX ($US/mcf)	**$4.37**	**$4.35**	**$4.50**
Exchange ($US/Cdn)	**$0.97**	**$0.98**	**$1.02**
Oil/Liquids (bbl/d)	47	526	1,182
Gas (mmcf/d)	0.4	2.9	4.1
boe/d (6:1)	112	1,013	1,869
% Natural Gas	58%	48%	37%
Cash Flow (MM)	-$0.2	$8.9	$19.1
CFPS (FD)	$0.00	$0.13	$0.26
Net Debt YE (MM)	-$5.1	$12.2	$21.1
Valuation			
	2010A	2011E	2012E
P/NAV	66%		
EV/DACF		8.1x	4.1x
EV/Production (boe/d)		$71,295	$43,400
Price/CFPS		6.4x	3.1x
Net Debt/CF		1.4x	1.1x

Source: See Note 1

HYX: Price/Volume Chart



Source: Thomson ONE

Company Description

Hyperion Exploration is a junior oil and gas producer offering light oil exposure through a Cardium oil focused asset base. The company is well capitalized to carry out an active drilling program that has the potential to add significant growth to both production and reserves.

Led by higher than expected oil production, Hyperion's third quarter results came in above expectations. Production for the quarter rose 11% with oil volumes rising nearly 30% and driving a 14% increase in quarter over quarter cash flow. Operating activity for the quarter continued to be focused on Hyperion's Cardium plays with 3 (2.6 net) Cardium horizontal wells drilled with an additional 3 (2.6 net) wells expected to be drilled in the fourth quarter. With Hyperion's 3 (2.6 net) third quarter Cardium horizontal program all performing above our type-curve expectations, we believe the company is on track to easily meet (and possibly exceed) their 2011 exit guidance of 1,500 boe/d.

We continue to believe Hyperion offers investors inexpensive access to a strong balance sheet, increasing oil exposure and an unbooked 2011 Cardium drilling program. Given the strong third quarter financial and operating results, we are maintaining our BUY recommendation. As a result of a change to our target price calculation methodology (from a 100% roll-up NAV method) to an equally weighted roll-up NAV and 5.0 times 2012E EV/DACF we are reducing our target price to $1.65 from $1.90.

Third Quarter Results and Outlook:

- Production for the quarter averaged 1,050 boe/d (54% liquids) led by crude oil volumes which increased nearly 30% as a result of 2 (100% working interest) Garrington horizontal Cardium wells being placed on stream late in the quarter.
- As a result of non-recurring operating expenses, operating costs (including transportation) for the quarter increased 18% to $14.39/boe. Excluding these extraordinary items, operating costs were $11.20/boe. We expect go forward operating costs of $12.20/boe, in line with company guidance.
- Capital expenditures for the quarter totaled $11.4 million and included the drilling of 3 (2.6 net) horizontal Cardium wells. We estimate a fourth quarter capital program of $15 million that will include the drilling and completion of 2 (2.0 net) horizontal Cardium wells at Pembina and the spudding of 1 (0.6 net) horizontal Cardium wells at Buck Lake.
- Hyperion exited the third quarter with net debt of $0.6 million on an $18 million credit facility ($24 million if you include the acquisition line) suggesting the company has maintained a significant amount of financial flexibility. We estimate the company will exit 2011 with roughly $12 million in net debt representing 1.4 times D/CF and 67% facility utilization.
- The company reiterated their 2011 guidance that includes average 2011 production of 950 boe/d (52% liquids); exit production of 1,500 boe/d (67% liquids) and operating costs of $12.20/boe (including transportation).

Operational Update:

2011 Cardium Horizontal Program

- All 3 (2.6 net) wells drilled during the third quarter continue to perform above our Cardium horizontal type curve assumptions with the Garrington 09-27 location performing the best to date.
- The company has drilled and completed 2 (2.0 net) Pembina Cardium horizontal wells in the fourth quarter with expectations to have the wells producing by mid December. Both wells were completed with a 20-stage slick water completion method.
- It is currently expected that Hyperion's second Buck Lake well (0.6 net) will spud late in the fourth quarter and be placed on production early 2012. The well was originally expected to be on production in the fourth quarter but given the positive results from the third quarter Cardium drilling program the company has elected to push this well into the New Year while maintaining their production guidance.

Exhibit 1: Cardium Results to Date - Outperforming Our Type-Curves

Cardium Play	Well Location	Well Status	Completion Method	IP(14)	IP(30)	IP(30) % Oil	Dundee Type Curve	
				(boe/d)	*(boe/d)*	*(%)*	*(boe/d)*	*(% Oil)*
Garrington	08-27-033-03W5	Producing	Foam	310	282	89%	180	80%
Garrington	09-27-033-03W5	Producing	Slick Water	744	498	89%	180	80%
Buck Lake	04-16-045-05W5	Testing	Slick Water	483	374	58%	175	75%
Buck Lake	05-16-045-05W5	Q4/11 Spud	Slick Water	N/A	N/A	N/A	175	75%
Pembina	04-24-050-10W5	Equipping	Slick Water	N/A	N/A	N/A	275	85%
Pembina	05-24-050-10W5	Equipping	Slick Water	N/A	N/A	N/A	275	85%

Source: Company Reports, Dundee Securities

Exhibit 2: Third Quarter Summary

Hyperion Exploration	Q3/11	Q2/11	% Change
Production			
Crude Oil and NGL's (bbl/d)	572	442	29%
Natural Gas (mmcf/d)	2.9	3.0	(5%)
boe/d	1,050	943	11%
% Gas	46%	53%	(14%)
Wellhead Prices			
Crude Oil and NGL's ($/bbl)	$84.68	$87.86	(4%)
Natural Gas ($/mcf)	$3.89	$4.23	(8%)
Financial			
Gross Revenue ($/boe)	$56.76	$54.72	4%
Royalties ($/boe)	-$12.05	-$8.11	49%
Operating Costs ($/boe)	-$12.79	-$10.82	18%
Transport ($/boe)	-$1.59	-$1.38	16%
G&A ($/boe)	-$5.09	-$9.39	(46%)
Cash Flow ($/boe)	$25.52	$25.29	1%
Cash Flow per Share (fd)	$0.03	$0.04	(4%)
Debt / Cash Flow	0.1x	-1.0x	106%
Development Capex ($mm)	$11.4	$1.9	499%
Weighted Avg Basic Shares (mm)	54.2	44.3	22%
Net Debt ($mm)	$0.6	($8.3)	107%

Source: Dundee Securities, Company reports

Exhibit 3: Revised Dundee Forecasts

	2011E			2012E		
	Pre	**Revised**	**% Change**	**Pre**	**Revised**	**% Change**
Production						
Crude Oil&NGL's (bbl)	515	526	2%	1,082	1,198	11%
Natural Gas (mmcf/d)	2.9	2.9	0%	3.7	4.1	11%
boe/d	1,003	1,013	1%	1,701	1,885	11%
% Gas	49%	48%	-1%	36%	36%	0%
Financial						
Revenue ($/boe)	$46.25	$45.68	-1%	$47.70	$47.56	0%
Operating Costs ($/boe)	($11.15)	($11.00)	-1%	($11.00)	($11.00)	0%
Cash Flow ($/boe)	$23.54	$24.35	3%	$28.32	$29.12	3%
CFPS (FD)	$0.13	$0.13	4%	$0.25	$0.28	13%
D/CF	1.5x	1.3x	-9%	1.3x	1.0x	-24%
E&D Capex ($mm)	$33	$33	-1%	$28	$28	0%

Source: Dundee Securities, Company reports

Valuation and Target Price - Continues to trade at a discount

Given Hyperion's conservative 2010 reserve bookings, we continue to believe the company offers investors a low risk and inexpensive entry point into a Cardium producer with material production and reserve upside. The company is in the midst of an active second half 2011 Cardium drilling program that we believe will provide a significant increase to their 2011 reserve report due in the New Year. Ultimately, we feel Hyperion's current discount to their NAV is unjustified and offers value investors an attractive entry point.

We calculate our $1.65 target price using a combination of our risked Roll-Up valuation methodology (displayed in Exhibit 5), and a 5.0 times 2012E EV/DACF.

Exhibit 4: Valuation Comparison

		2011E		2012E	
		HYX	**Juniors**	**HYX**	**Juniors**
P/NAV*	%	66%	86%		
EV/DACF	times	8.1x	8.4x	4.1x	5.2x
P/CF	times	6.4x	6.3x	3.1x	4.1x
EV/boe/d	$/boe/d	$71,295	$75,960	$43,400	$51,517
D/CF	times	1.4x	2.0x	1.1x	1.5x
D/CF w/o converts	times	1.4x	2.0x	1.1x	1.5x
Capex/Cash Flow	times	3.7x	3.2x	1.5x	1.4x

* Year End 2010E Futures NAV

Source: Company Reports, Dundee Securities

DUNDEE CAPITAL MARKETS
Dundee Securities Ltd.

Exhibit 5: Risked Roll-up Summary

Upside NAV Potential *Program*		**IP Rate** *(boe/d)*	**Reserves / well** *(mboe)*	**# of Wells** *(Net #)*	**Futures NPV/well** *($mm)*	**Futures Total NPV** *($mm)*	**Risk Factor** *(%)*	**Total Value/Share** *($/share)*
Pembina Cardium Oil (High Rate Well)								
	2011	275	215	2.8	$4.3	$12.1	80%	$0.17
	2012	275	215	2.8	$4.3	$12.1	80%	$0.17
Pembina Cardium Oil (Base Case Well)								
	2011	175	140	0.0	$2.4	$0.0	80%	$0.00
	2012	175	140	0.0	$2.4	$0.0	80%	$0.00
Buck Lake Cardium								
	2011	175	155	1.2	$2.6	$3.1	80%	$0.04
	2012	175	155	1.8	$2.6	$4.7	80%	$0.07
Garrington Cardium								
	2011	180	190	2.0	$1.8	$3.6	80%	$0.05
	2012	180	190	2.0	$1.8	$3.6	80%	$0.05
Niton Cardium								
	2011	175	140	0.0	$2.4	$0.0	80%	$0.00
	2012	175	140	1.5	$2.4	$3.6	80%	$0.05
2010 Futures NAV								**$1.25**
2011/2012 Upside Potential								**$0.60**
						Potential Value at End of 2012		**$1.85**
Total Remaning Inventory Value - less 2011/2012 locations								**$0.90**
Full Development Potential Value								**$2.75**

Source: Company Reports, Dundee Securities

Key Risks to Target Price

Volatile commodity prices, rapidly increasing operating and/or service costs, access to oilfield equipment, unexpected changes in reserves and/or production, loss of key employees, changing Government regulations, environmental costs pertaining to reclamation or clean-up activities, geopolitical events causing volatility in commodity prices, disruptions at major facilities, limited liquidity in the capital markets, and integration risk given the large number of acquisitions in the sector.

Disclosures & Disclaimers

This report is issued and approved for distribution in Canada by Dundee Securities Ltd., a member of the Canadian Investor Protection Fund, the Investment Industry Regulatory Organization of Canada and an investment fund manager registered with the securities commissions across Canada. Dundee Securities Ltd. is a wholly-owned subsidiary of Dundee Capital Markets Inc. Dundee Corporation is a significant shareholder of Dundee Capital Markets Inc.

Research Analyst Certification: Each Research Analyst involved in the preparation of this Research Report hereby certifies that: (1) the views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this Research Report; and (2) his/her compensation is not and will not be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst in this Research Report. The Research Analyst involved in the preparation of this Research Report does not have authority whatsoever (actual, implied or apparent) to act on behalf of any issuer mentioned in this Research Report.

U.S. Residents: Dundee Securities Inc. is a U.S. registered broker-dealer, a member of FINRA and an affiliate of Dundee Securities Ltd. Dundee Securities Inc. accepts responsibility for the contents of this Research Report, subject to the terms and limitations as set out above. U.S. residents seeking to effect a transaction in any security discussed herein should contact Dundee Securities Inc. directly. [Research reports published by Dundee Securities are intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity.]

This Research Report is provided, for informational purposes only, to institutional investor and retail clients of Dundee Securities in Canada.This Research Report is not an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

The information contained in this Research Report is prepared from sources believed to be reliable but Dundee Securities Ltd. makes no representations or warranties with respect to the accuracy, correctness or completeness of such information, and they should not be relied upon as such. Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this Research Report. The price of the securities mentioned in this Research Report and the income they produce may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Dundee Securities Ltd. accepts no liability whatsoever for any loss arising from any use or reliance on this Research Report or the information contained herein. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice.

The securities discussed in this Research Report may not be suitable for all types of investors such reports do not take into account particular investment needs, objectives and financial circumstances of a particular investor. An investor should not rely solely on investment recommendations contained in this Research Report, if any, as a substitution for the exercise of their own independent judgment in making an investment decision and, prior to acting on any of contained in this Research Report, investors are advised to contact one of their investment advisers to discuss their particular circumstances.

Non-client recipients of this report should consult with an independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. Dundee Securities will not treat non-client recipients of this Research Report as its clients by virtue of such persons receiving this Research Report.

Nothing in this report constitutes legal, accounting or tax advice. Investors should consult with their own independent legal or tax adviser in this regard.

Dundee Securities Research is distributed by email, website or hard copy. Dissemination of initial reports and any subsequent reports is made simultaneously to a pre-determined list of Dundee Securities' Institutional Sales and Trading representative clients and Retail Private Client offices. The policy of Dundee Securities with respect to Research reports is available on the Internet at www.dundeewealth.com.

The compensation of each Research Analyst/Associate involved in the preparation of this Research Report is based competitively upon several criteria, including performance assessment criteria based on quality of research. The Research Analyst compensation pool includes revenues from several sources, including sales, trading and investment banking. Research analysts do not receive compensation based upon revenues from specific investment banking transactions. Dundee Securities generally restricts any research analyst and any member of his or her household from executing trades in the securities of a company that such research analyst covers. However, the person who prepared this report may own shares of companies mentioned herein.

Certain discretionary client portfolios are managed by a the Private Client Advisory division of Dundee Securities Ltd. Additionally, Dundee Securities Ltd. and certain affiliates of Dundee Corporation are investment fund managers, advising certain investment funds through their respective registered portfolio managers and/or dealing representatives. The aforementioned portfolio managers and/or dealing representatives are segregated from Research and they may trade in securities referenced in this Research Report both as principal and on behalf of clients (including managed accounts and investment funds). Furthermore, Dundee may have had, and may in the future have, long or short

DUNDEE CAPITAL MARKETS
Dundee Securities Ltd.

positions in the securities discussed in this Research Report and, from time to time, may have executed or may execute transactions on behalf of the issuer of such securities or Dundee's clients, including dealer-managed funds.

Should this Research Report provide web addresses of, or contain hyperlinks to, third party web sites, Dundee has not reviewed the contents of such links and takes no responsibility whatsoever for the contents of such web sites. Web addresses and/or hyperlinks are provided solely for the recipient's convenience and information, and the content of third party web sites is not in any way incorporated into this Research Report. Recipients who choose to access such web addresses or use such hyperlinks do so at their own risk.

Note 1: All historical data including financial and operating data on the issuer(s) mentioned in this report come from publicly available documents including statutory filings of these issuer(s). Data may also be sourced from Bloomberg, Baseline, Thomson ONE.

Informal Comments are analysts' informal comments that are posted on the Dundee website. They generally pertain to newsflow and do not contain any change in analysts' opinion, estimates, rating or target price. Please refer to formal published research reports for valuation methodologies used in determining target prices for companies under coverage. Please refer to formal published research reports for company specific disclosures and analyst specific disclosures for companies under coverage.

Mineral Exploration Watchlist: Dundee Securities Ltd. has not initiated formal continuing coverage of Mineral Exploration Watchlist companies. The companies will have recommendations and risk ratings as per our regular rating system, see Explanation of Recommendations and Risk Ratings for details. Risk ratings will be either Speculative or Venture. Speculative Risk rated companies are those companies that have published National Instrument 43-101 or JORC compliant resources or reliable historic resources and/or economic evaluations (scoping, pre-feasibility or feasibility studies) for material project(s) that could reasonably form the basis of a discounted cash flow analysis. Venture Risk rated companies are those companies that are generally at an earlier stage of exploration and/or development, where no material resource estimate, historic or compliant, exists. No price targets will be set for Mineral Exploration Watchlist companies as there are limited financial metrics upon which to base a reasonable valuation. Valuation methodologies and models will not be provided for Mineral Exploration Watchlist companies. Dundee clients should consult their investment advisor as to the appropriateness of an investment in the securities mentioned.

Fertilizer Watchlist: Dundee Securities Ltd. has not initiated formal continuing coverage of Fertilizer Watchlist companies. The companies will have recommendations and risk ratings as per our regular rating system, see Explanation of Recommendations and Risk Ratings for details. Risk ratings will be either Speculative or Venture. Speculative Risk rated companies are those companies that have published National Instrument 43-101 or JORC compliant resources or reliable historic resources and/or economic evaluations (scoping, pre-feasibility or feasibility studies) for material project(s) that could reasonably form the basis of a discounted cash flow analysis. Venture Risk rated companies are those companies that are generally at an earlier stage of exploration and/or development, where no material resource estimate, historic or compliant, exists. No price targets will be set for Fertilizer Watchlist companies as there are limited financial metrics upon which to base a reasonable valuation. Valuation methodologies and models will not be provided for Fertilizer Watchlist companies. Dundee clients should consult their investment advisor as to the appropriateness of an investment in the securities mentioned.

Agribusiness Watchlist: Dundee Securities Ltd. has not initiated formal continuing coverage of Agribusiness Watchlist companies. The companies will have recommendations and risk ratings as per our regular rating system, see Explanation of Recommendations and Risk Ratings for details. Risk ratings will be either Speculative or Venture. No price targets will be set for Agribusiness Watchlist companies as there are limited financial metrics upon which to base a reasonable valuation. Valuation methodologies and models will not be provided for Agribusiness Watchlist companies. Dundee clients should consult their investment advisor as to the appropriateness of an investment in the securities mentioned.

Base Metals & Iron Ore Weekly Dashboard is a compilation of market statistics and media reports that is posted on the Dundee website. The Dashboard does not contain any change in the analyst's opinion, estimates, ratings or target prices. Please refer to formal published research reports for valuation methodologies used in determining target prices for companies under coverage. Please refer to formal published research reports for company specific disclosures and analyst specific disclosures for companies under coverage.

Presentations do not include disclosures that are specific to analysts and specific to companies under coverage. Please refer to formal published research reports for company specific disclosures and analyst specific disclosures for companies under coverage. Please refer to formal published research reports for valuation methodologies used in determining target prices for companies under coverage.

Disclosures required under Rule 3400 for sector research reports covering six or more issuers can be found on the Dundee Capital Markets website at www.dundeewealth.com in the Research Section.

Dundee Securities Ltd. and its affiliates, in the aggregate, may beneficially own 1% or more of a class of equity securities issued by company(ies) discussed in this report.

Explanation of Recommendations and Risk Ratings

Valuation methodologies used in determining the 12-month target price(s) for the issuer(s) mentioned in this report are contained in current and/or prior research. Target Price N/A: a target price is not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

DUNDEE CAPITAL MARKETS
Dundee Securities Ltd.

BUY: Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: Total returns expected to be in line with the overall market. SELL: Total returns expected to be materially lower than the overall market. TENDER: The analyst recommends tendering shares to a formal tender offer. UNDER REVIEW: The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast.

*Risk Ratings: risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the company's business and/or financial risk is high and is difficult to value. Venture: an early stage company where the business and/or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation.

Investors should not deem the risk ratings to be a comprehensive account of all of the risks of a security. Investors are directed to read Dundee Securities Ltd. Research reports that contain a discussion of risks which is not meant to be a comprehensive account of all the risks. Investors are directed to read issuer filings which contain a discussion of risk factors specific to the company’s business.

Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise but not lower the risk rating if it is deemed a higher risk rating is warranted. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings could differ.

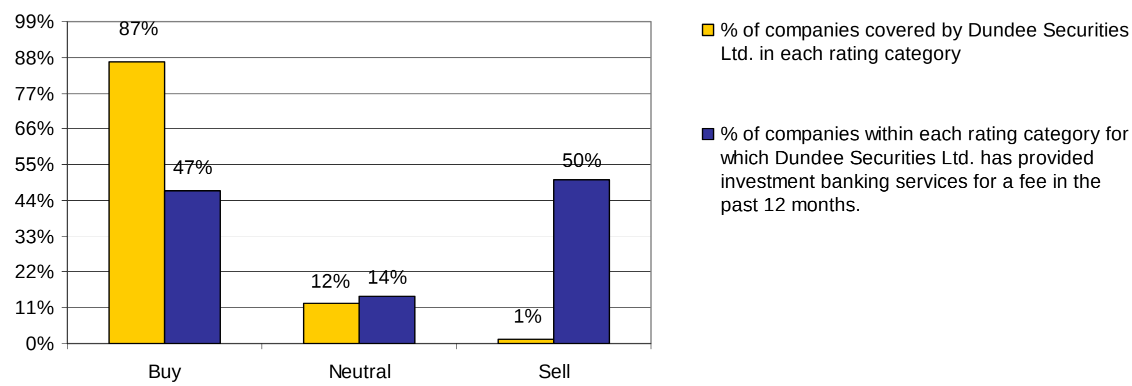
Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price <= $3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a company. Smaller capitalization stocks (<$300MM) are assumed to have less liquidity, and are, therefore, more subject to price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded >70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock’s volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity.

SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

Ideas of Interest

Dundee Securities Ltd. from time to time publishes reports on securities for which it does not and may not choose to provide continuous research coverage. Such reports are published as Ideas of Interest.

Dundee Securities Equity Research Ratings



September 30, 2011

Source: Dundee Securities Ltd.