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## **UNITED ENERGY GROUP LIMITED**

聯合能源集團有限公司

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

(Stock Code: 467)

### **VOLUNTARY ANNOUNCEMENT BUSINESS UPDATE**

#### **BUSINESS UPDATE**

United Energy Group Limited (the “Company”) wishes to provide a business update of the Company during the first half of financial year 2011 with the objective of enabling our shareholders and potential investors to appraise the Group’s operational performance.

The Company is delighted to report that its Enhanced Oil Recovery (“EOR”) production in Gaosheng Block, Liaohe Province in China, has (1) finalized the pre-drilling work plan for 2012; (2) completed 6 new production wells and expanded 2 fireflood injection platforms; (3) installed 12 sets of air-compressors; and (4) compressed air injection capacity reached 590,000 cubic meters per day. Current level of production wells in normal operation is around 280 wells.

Regarding the recently acquired assets in Pakistan, the Company has (1) engaged quality 3D seismic crew; (2) finished the 2012 drilling and seismic plan for onshore blocks; and (3) completed drilling works of 4 exploration wells during first half of the current financial year.

#### **GUIDANCE FOR 2012**

In pursuit of its objective to strive to become a leading international oil and gas enterprise, the Company is continuing to execute its strategy of adopting “Reliable Operation and Rapid Expansion”. The acquisition of business and assets in Pakistan signaled a significant step forward to its goal. As a result, our Pakistan operations are expected to contribute a significant source of income to UEG alongside the growing China business.

The Company is pleased to provide a regular half yearly business update which will be posted to the Company’s website henceforth.

The first business update is set out in the attachment to this announcement.

#### **GENERAL**

Shareholders and potential investors of the shares of the Company should note that the abovementioned half yearly updates contain or will contain certain target which may or may not materialize. Shareholders and potential investors of the shares of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board  
**United Energy Group Limited**  
**Zhang Hong Wei**  
*Chairman*

Hong Kong, 23 September 2011

*As at the date of this announcement, the executive directors of the Company are Mr. Zhang Hong Wei (chairman), Mr. Zhu Jun, Ms. Zhang Meiyang and Mr. Andrew Leo Kirby, the non-executive director is Mr. Ho King Fung, Eric, and the independent non-executive directors are Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu.*

Guidance: China Project

2011 1H Achievement (unaudited)		2012 Guidance (Assumed US\$ 90 /bbl WTI)
Net (UEG) EOR Production Share	<ul style="list-style-type: none"> <li>▪ Moved into production phase on 21 Feb 2011</li> <li>▪ Approved to continue as operator</li> <li>▪ Net share of production &gt;500 bbl/d (100% Oil)</li> <li>▪ Approx. 20% of production wells adopted fireflood technology</li> </ul>	<ul style="list-style-type: none"> <li>▪ Net share of production &gt;1,000 bbl/d (100% Oil)</li> <li>▪ Accelerate the adoption of Fireflood Technology with an additional 35-38 wells per annum</li> <li>▪ Grow to a target production of over 10,000 bopd in the medium term</li> </ul>
Realized Oil Sales Price	▪ US\$99.5/bbl	▪ Moves in line with international oil prices (WTI)
EBITDA Margin	▪ US\$22.5 per bbl	▪ EBITDA improves to >US\$ 25.0 per bbl
OPEX	▪ US\$29.7 per bbl	▪ Maintain below US\$30.0 per bbl
Drilling / Workovers / Fireflood Facility	<ul style="list-style-type: none"> <li>▪ Finalized pre-drilling work for 2012</li> <li>▪ Completion of 6 new production well &amp; expansion of 2 fireflood injection platforms</li> <li>▪ Installed 12 sets of air-compressors</li> <li>▪ Compressed air injection capacity reached 590,000 cubic meters per day</li> </ul>	<p><b>New Wells</b></p> <ul style="list-style-type: none"> <li>▪ 24 Vertical wells</li> <li>▪ 1 Horizontal well</li> </ul> <p><b>Workovers</b></p> <ul style="list-style-type: none"> <li>▪ 1 Re-entry Horizontal well</li> <li>▪ 15 Re-entry Vertical wells</li> </ul> <p><b>Fireflood Facility</b></p> <ul style="list-style-type: none"> <li>▪ Complete 15 fireflood utility wells</li> </ul>
No. of Rigs Engaged	▪ 3 shallow rigs	▪ 5+ shallow rigs (up from 3 rigs in 2011)

Guidance: Pakistan Project

		2011 1H Achievement	2012 Guidance (Assumed US\$ 100/bbl Brent)
Net (UEG) Production	<ul style="list-style-type: none"> <li>~24,900 boe/d</li> <li>- Oil: 6.3 Mboe/d</li> <li>- Sales Gas: 106 Mcf/d (18.3 Mboe/d)</li> <li>- NGL: 0.4 Mboe/d</li> </ul>		Maintain between 22,000 ~ 25,000 Mboe/d (75% Gas)
Realized Sales Price	<ul style="list-style-type: none"> <li>▪ US \$37.8/boe (avg. oil + gas)</li> </ul>		<ul style="list-style-type: none"> <li>• Moves in line with a range of international benchmark prices (see the following page)</li> </ul>
EBITDA Margin	<ul style="list-style-type: none"> <li>▪ US\$ 27.2 per boe</li> </ul>		<ul style="list-style-type: none"> <li>▪ Range between US\$ 25 - 30 per boe</li> </ul>
OPEX	<ul style="list-style-type: none"> <li>▪ US\$ 5.3 per boe</li> </ul>		<ul style="list-style-type: none"> <li>▪ Maintain between US\$ 5.0 – 5.6 per boe</li> </ul>
CAPEX Reinvestment Rate	<ul style="list-style-type: none"> <li>▪ 24% (Capex/Operating Cashflow)</li> </ul>		<ul style="list-style-type: none"> <li>▪ Maintain in range of 50% - 75% due to aggressive seismic campaign &amp; drilling plan</li> </ul>
Drilling / 3D Seismic Plan	<ul style="list-style-type: none"> <li>▪ Finalized 2012 UEP drilling and seismic plan</li> <li>▪ Engage quality 3D seismic crew</li> <li>▪ 4 exploration wells drilled</li> </ul>		<p><b><u>New Wells</u></b></p> <ul style="list-style-type: none"> <li>▪ 4 Exploration Wells (Deep)</li> <li>▪ 4+ Exploration Wells (Shallow)</li> <li>▪ 12+ Development Wells</li> </ul> <p><b><u>3D Seismic Plan</u></b></p> <ul style="list-style-type: none"> <li>▪ MKK 750 km<sup>2</sup> and Badin / DSS 1,800 km<sup>2</sup></li> </ul>
No. of Rigs Engaged	<ul style="list-style-type: none"> <li>▪ 1 shallow rig</li> </ul>		<ul style="list-style-type: none"> <li>▪ 2+ shallow rigs &amp; 1 deep rig</li> </ul>

Supplementary information:

### Liquids

- Crude sales covered by Crude Oil Sales Agreements (COSAs), renewable annually
- *Crude Oil*: CIF price of a comparable crude or basket of Arabian/Persian Gulf crudes
- *Condensate*: FOB price of internationally quoted comparable condensate
- Pre 1994 prices are subject to negotiated discount (34% of oil in 2009 was discounted)
- Per barrel realised prices range between \$60 to \$96 (assuming \$100/bbl Brent)

### Gas

- Gas pricing is covered by Gas Pricing Agreements (GPAs)<sup>(1)</sup>
  - Gas prices also tied to Arab Light and subject to significant discounts
  - Applicable gas prices range between \$2.1 to \$4.5/mmbtu
- Gas sales covered by Gas Sales Agreements (GSAs), Badin GSA being extended<sup>(2)</sup>

(1) Badin and MKK contracts until production ceases and 2021 respectively.

(2) Badin contracts currently being consolidated, price fixed until 2020, volumes currently being finalised.

Source: Company data