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 second half of financial year 2011 ("the period") with the objective of enabling our shareholders and potential investors to appraise the Company's operational performance.

The Company is pleased to report that daily production level of its assets in Pakistan has been maintained at 21,400 barrels of oil equivalent ("boe") after allocating more resources on workovers and drillings. During the period, the Company achieved (i) a drilling plan of 6 wells and (ii) finalized planning and contracting program for extensive seismic and drilling for 2012.

Regarding the Company's Enhanced Oil Recovery ("EOR") production in Gaosheng Block, Liaohe Province in China, the average daily production level has been increased from 520 barrels in the first half to 1,024 barrels at the current level. The Company also (i) finalized the pre-drilling work plan for 2012; (ii) completed 12 new production wells; (iii) installed 4 sets of air-compressors; and (iv) achieved a lower OPEX of US$ 35.0 per barrel after the efficiency of fireflood technology continued to improve.

Due to the acquisition of Pakistan asset, the Company's total debt level rose to US$645.4 million as at 31 December, 2011. The duration of the debt is 6.4 years.

GUIDANCE FOR 2012

In pursuit of its objective to strive to become a leading international oil and gas exploration and production companies based in Asia, the Company is continuing to execute its strategy of adopting "Reliable Operation and Rapid Expansion" and maximize value and capture the potential upside of its current portfolio.

In order to make up for lost momentum due to the completion and transition process in Pakistan, the Company plans to increase its investment in CAPEX to about US$ 170 to 190 million, representing an increase of more than 300% of CAPEX investment as compared to 2011, which is expected to result in a reserves replacement ratio of not less than 150%. Numbers of well drilled will be increased significantly, including 13 exploration wells (FY2011: 3 wells) and 20 development wells (FY2011: 7 wells). Average daily production level is expected to increase from 21,400 boe in 2011 to between 24,000 to 26,000 boe in December 2012. Nonetheless, the EBITDA margin is expected to reduce from US$ 26.0/boe to not less than US$ 20.0/boe, as the Company plans to increase significantly in its operational expenditure on facilities management and workovers and engage in intensive seismic and drilling activities to unlock future potential.

For the China asset, the Company expected to see an improvement in both production as well as efficiency of fireflood technology applied on the EOR project. The average daily production is expected to increase from the current level of about 1,024 barrels per day to 1,100 to 1,200 barrels per day. CAPEX and EBITDA margin will be maintained at similar level as to 2011, at US$23 million and US$24.0 per barrel respectively.

A detailed business update is set out in the attachment to this announcement. The 2012 guidance reflected (i) the result of detailed work performed since completion of the acquisition of the Pakistan asset and takeover of the management control on 16 September 2011, and (ii) prudent assumption of US$90/barrel Brent oil price adopted by the Company. These numbers are therefore subject to variance due to actual oil price achieved and variation of the plans during execution.

GENERAL

Shareholders and potential investors of the shares of the Company should note that the abovementioned voluntary announcement contains or will contain certain targets 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, 5 January 2012

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Hong Wei (Chairman), Mr. Zhu Jun, Ms. Zhang Meiying 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: Pakistan

	2011 2H Achievement (unaudited) (Average price of Brent : US$110/bbl)	*2012 Guidance* *(Assumed Brent at US$90/bbl)*
Net (UEG) Production	▪ Total: ~ 21,400 boe/d ▪ Liquids: 26.5%; Gas: 73.5%	▪ Maintain between 24,000 - 26,000 boe/d ▪ Liquids > 28%
Realized Sales Price (before 12.5% royalty)	▪ US $38.0/boe	• Moves in line with a range of international benchmark prices
EBITDA Margin	▪ US$ 26.0/boe	▪ US$ 20.0/boe
OPEX (Lifting Cost)	▪ US$ 6.8/boe	▪ Maintain between US$ 6.5 – 6.9/boe
CAPEX	▪ US$ 28 million	▪ Range between US$ 170-190 million
Drilling / 3D Seismic Plan	▪ 3 development wells and 3 exploration wells drilled	▪ Development Well: 20 wells ▪ Exploration Well: 13 wells ▪ Rig Workovers: 38 wells ▪ Facility Upgrades: 23 wells **3D Seismic Plan** ▪ Badin 1,472 km^2 ▪ MKK 1,340 km^2 ▪ DSS 1,700 km^2 **Reserve Replacement Target** ▪ >150%
No. of Rigs Engaged	▪ 1 shallow rig, 1 workovers rig & 1 deep rig	▪ 1 workovers rig, 2 shallow rigs & 1 deep rig

Guidance: China

	2011 2H Achievement (unaudited) (Average price of Brent: US$110/bbl)	*2012 Guidance* *(Assumed Brent at US$90/bbl)*
Net (UEG) EOR Production Share	▪ Net share of production 1,024 bbl/d ▪ Approx. 16% of production wells adopted fireflood technology	▪ Net share of production 1,100-1,200 bbl/d ▪ Accelerate the adoption of Fireflood Technology with an additional 35 - 38 wells per annum
Realized Oil Sales Price (Before 5% VAT)	▪ US$95.0/bbl	▪ Moves in line with Brent oil price
EBITDA Margin	▪ US$27.5/bbl	▪ At least US$24.0/bbl
OPEX (Lifting cost)	▪ US$35.0/bbl	▪ Not more than US$34/bbl
CAPEX	▪ US$11.5 million	▪ US$23 million
Drilling / Workovers / Fireflood Facility	▪ 12 new wells drilled ▪ Reconfigured 4 fireflood well units (Note:7-8 wells in one unit)	**New Wells** ▪ 24 Vertical wells ▪ 1 Horizontal well **Workovers** ▪ 1 Re-entry Horizontal well ▪ 15 Re-entry Vertical wells **Fireflood Facility** ▪ Complete 8 fireflood utility wells
No. of Rigs Engaged	▪ 3 shallow rigs	▪ At lease 5 rigs