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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

United Energy Group Limited (the “Company”) is pleased to provide a business update of the Company during the second quarter of financial year 2012 (“the period”) and the Revised Guidance for the full year 2012 with the objective of informing our shareholders and potential investors of the Company’s operational progress and performance.

BUSINESS UPDATE

I. Pakistan Assets:

The Company is pleased to report that the Pakistan assets achieved an average net daily production of 23,530 barrels of oil equivalent per day (“boe/d”) for the six month ended 30 June 2012, while the average net daily production for the second quarter amounted to 25,514 boe/d, which has provided sufficient confidence to increase the guidance range for the full year 2012. With the continued effort to optimize the performance of the assets, including enhancing the drilling success rates, increasing well workovers and facility upgrades, the highest single day production rate of 27,008 boe/d was achieved during the first half of 2012.

As of 30 June 2012, 4 rigs were in operation for UEP in Pakistan. The Company plans to deploy up to 4 additional rigs in the second half of 2012 in order to meet the revised target of completing 16 exploration wells and 24 development wells for the year. The drilling operations remain discretionary and may be varied depending on the commodity price environment, opportunity attractiveness and cashflow availability which UEG assesses at the time.

Due to the aggressive drilling activities during the first half of 2012 year, the Company added 3.39 million boe of 1P Reserves to the Pakistan assets.

Regarding the seismic plan, the second seismic crew had been engaged to expedite the data acquisition process. The total acreage of 3D seismic data acquisition has been revised to 4,832 km² (the Guidance dated 5 Jan 2012 (“Original Guidance”): 4,512 km²), of which 25% had been completed by the end of the first half of the year. As a result, we anticipated a better outcome from the aggressive exploration plan by year end.

II. Liaohe EOR Asset, China:

The Company’s Enhanced Oil Recovery (“EOR”) production in Gaosheng Block in Liaohe Province of China, average net daily production of 1,290 barrels of oil per day (“bbl/d”), up 15% on quarterly basis and 95% compared to the same period last year. The asset is exceeding the range provided in the guidance for this year as we have been able to accelerate the plan of adopting fireflood technology in the fields.

REVISED GUIDANCE FOR 2012

The Company has completed an Interim Business and Budget Review in mid-July and has revised the operational guidance for 2012 (“Revised Guidance”) as the production of two assets surpassed the targets stipulated in the Original Guidance. The Company raised the average net production target for both Pakistan and Liaohe assets to 25,500-26,500 boe/d and 1,200-1,300 bbl/d respectively.

For the Pakistan Assets, the estimated lifting cost has been reduced from US\$6.5-6.9/boe to US\$5.8-6.2/boe. The Capex was increased from US\$170-190 million to US\$200-220 million.

For the EOR project in Liaohe, the lifting cost is expected to encounter a slight increase due to the increase in expenses workover from less than US\$34/bbl to US\$38-39/bbl. In order to achieve higher output volumes, the Company has set a target of converting 30 production wells to adopt the Company’s proprietary fireflood technique for the year.

A detailed business update is set out in the attachment to this announcement. The 2012 Revised Guidance adopts a prudent assumption of US\$90/bbl for average Brent oil price for the Pakistan Asset and Duri oil price for the Liaohe EOR Asset adopted for the second half 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, 1 August 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 Meiyang and Mr. Andrew Leo Kirby, and the independent non-executive directors are Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu.

Revised Guidance for Pakistan Assets:

Net to UEG Ltd	<u>Revised 2012 Guidance</u>	<u>1H 2012 (Unaudited)</u>
Average Net Production (boe/d)	25,500-26,500	23,530
Oil Ratio (%)	>28.0	26.7
Sales Price Before Royalty*	US\$ 40.0 – 42.0/boe	US\$ 42.6/boe
Opex - Lifting Costs	US\$ 5.8 – 6.2/boe	US\$ 6.1/boe
EBITDA Margin	US\$ 22.0 – 24.0/boe	~US\$ 26.3/boe
Capex	US\$ 200 - 220 million	US\$ 55.6 million
Exploration (No. of Wells)	16	3
Development (No. of Wells)	24	9
Rig Workovers (No. Performed)	55	16
Facility Upgrades (No. Performed)	30	0
3D Seismic Data Acquisition	Badin: 1,572 km² MKK: 1,560 km² DSS: 1,700 km² Total: 4,832 km²	Badin: 24 km ² MKK: 1,165 km ² Total: 1,189 km ²
No. of Rigs Engaged	8	4

*Assumed average Brent oil price at US\$90/bbl for the second half of 2012

Revised Guidance for Liaohe EOR:

Net to UEG Ltd	<u>Revised 2012 Guidance</u>	<u>1H 2012 (Unaudited)</u>
Average Net EOR Production Share (bbl/d)	1,200 – 1,300	1,205
Sales Price Before VAT (& Govt .Tax) *	US\$ 82.0/bbl	US\$ 109.9/bbl
Opex - Lifting Cost	US\$ 38.0 – 39.0/bbl	US\$ 39.5/bbl
EBITDA Margin	US\$ 28.0 - 30.0/boe	US\$ 30.8/boe
Capex	US\$ 23.0 – 24.0 million	US\$ 16.16 million
Production (No. of Wells)	20	18
Workovers (No. Performed)	11	6
Fireflood Facilities (No. of Facilities)	10	2
Production Wells converted into Fireflood Production (No. of Wells)	30	7
No. of Rigs Engaged	At least 5	5

*Assumed average Duri oil price at US\$90/bbl for the second half of 2012