

UNDERGROUND ENERGY ANNOUNCES CLOSING OF TRANSACTION TO ACQUIRE OIL AND GAS LEASES IN THE SANTA MARIA AND SAN JOAQUIN BASINS OF CALIFORNIA

November 23, 2011 – Santa Barbara, California – Underground Energy Corp. (“Underground”, “UGE” or the “Company”) (TSX VENTURE: UGE) announced today that it has closed the transaction originally announced on November 1, 2011, to acquire, through its wholly-owned subsidiary, Underground Energy, Inc., oil and gas leases in California for total consideration of US\$5.5 million comprising \$4.6 million in cash and \$0.9 million in assumed liabilities. The final acreage acquired comprises 39,778 gross acres (29,854 net) and includes three producing wells (two oil wells and one gas well, with total production of approximately 60 boepd), a number of drill ready locations and multiple exploitation and exploration prospects in two trends in the Santa Maria Basin and four trends in the San Joaquin Basin. The acreage acquired was revised downward slightly from the amount previously announced due to lease expirations on non-core acreage. The expired leases are largely in the non-core Challenger AMI. In line with the Company’s aggregation strategy, the acquired lands are primarily prospective for Monterey and other analogous oil-prone shale plays. Underground is the operator at each of the acquired properties. UGE intends to begin acquisition of seismic data on one of its newly acquired properties on Monday November 28th.

“Successfully concluding this transaction results in a five-fold increase in our land position in California and expands our presence in the historically productive Santa Maria and San Joaquin Basins while retaining our focus on the Monterey and other oil-prone shales in California,” said Michael Kobler, President and CEO of Underground. “Accessing and closing this opportunity was a direct result of the knowledge and relationships of our California based team as well as a number of other parties associated with the Company. I would like to thank them and all involved on both sides of this transaction for their hard work in bringing the deal to fruition. Our focus now shifts to developing those prospects where we believe we can create significant, near-term value for the Company.”

About Underground Energy Corporation

Underground is focused on identifying, acquiring rights to, exploring for, developing and producing oil from shale formations in North America using the latest exploration and recovery techniques and technologies. Underground focuses on identifying and acquiring sizable land positions and prospects in historically prolific but under-explored shale formations as well as in emerging shale plays that, in both instances, hold large volumes of prospective resources. Underground currently holds mineral rights on approximately 80,273 net acres of prospective lands in California and Nevada with an initial focus on the Monterey shale in California. Underground is listed on the TSX Venture Exchange under the ticker symbol “UGE”. For more information on Underground, including a copy of the Company’s latest corporate presentation, please visit www.ugenergy.com. Underground’s regulatory filings are available under the Company’s profile at www.sedar.com.

Cautionary Statements

Statements in this press release contain forward-looking information and forward-looking statements within the meaning of applicable securities laws (collectively, “forward-looking information”). Forward-looking information is frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. In particular, forward-looking information in this press release includes, without limitation, statements with respect to: (i) the Company’s planned seismic operations to be conducted on such oil and gas leases; and (ii) the prospectivity of such oil and gas leases for oil and gas and the anticipated drilling, completion and production results therefrom. Readers are cautioned that assumptions used in the preparation of forward-looking information may prove to be incorrect.

Although we believe that the expectations and assumptions reflected in the forward-looking information are reasonable, there can be no assurance that such expectations or assumptions will prove to be correct. In particular, assumptions have been made

that: (i) Underground will be able to obtain equipment and regulatory approvals in a timely manner to carry out exploration and development activities; (ii) Underground will have sufficient financial resources with which to conduct its planned capital expenditures; and (iii) the current tax and regulatory regime will remain substantially unchanged. Certain or all of the forgoing assumptions may prove to be untrue.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and is subject to a variety of risks and uncertainties and other factors (many of which are beyond the control of Underground) that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors could cause results to differ materially from those expressed in the forward-looking information include, but are not limited to: operational risks in exploration, development and production; delays or changes in plans; competition for and/or inability to retain drilling rigs and other services; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel and supplies; risks associated to the uncertainty of reserve and resource estimates; governmental regulation of the oil and gas industry, including environmental regulation; geological, technical, drilling and processing problems and other difficulties in producing reserves; the uncertainty of estimates and projections of production, costs and expenses; unanticipated operating events or performance which can reduce production or cause production to be shut in or delayed; incorrect assessments of the value of acquisitions; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; access to capital; and other factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this news release is expressly qualified by this cautionary statement. Underground does not undertake any obligation to update or revise any forward-looking statements to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl has been used and is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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