

For immediate release

CDS Oil & Gas Group plc ('CDS' or the 'Company')

Conversion of loans and debts and issue of equity

CDS is pleased to announce that Feltown Assets Inc. ("Feltown") and Werton Finance S.A. ("Werton"), substantial shareholders in the Company, have agreed to convert loans and accrued interest of US\$2,321,370 (the "Loans"). The conversion of the loan will involve Feltown and Werton subscribing for a total of 16,009,447 new ordinary shares of 10p each ("Ordinary Shares") in the capital of the Company at a conversion price of 10p per share (the "Conversion Price").

Feltown and Werton acquired the Loans on 20 February 2009 together with their equity interests in the Company. The acquired Loans comprised of:

- (a) \$2,000,000 as a 3 month bridging loan with interest at 5% per annum; and
- (b) \$250,000 repayable on 29 June 2009 with interest at 10 % per annum.

In order to effect the conversion of the Loans, the Company will enter into subscription agreements with each of Feltown and Werton to terminate the Loans and allot Ordinary Shares to each of them.

In addition, in connection with the Group's (being CDS and its subsidiaries) exploration programme, two suppliers of services to the Group, Famay Enterprises Corp ("Famay") and Harmattan FZE ("Harmattan"), have agreed to convert an aggregate of \$794,674 owed to them by the Group by subscribing for 2,482,759 and 2,997,752 Ordinary Shares respectively, in both cases at the Conversion Price.

The beneficial owners of Feltown and Werton have a beneficial interest in Famay. Famay provides services to the Group on arm's length commercial terms approved by the independent directors.

Whilst the agreed Conversion Price of 10 pence per Ordinary Share is a significant premium to the price at which the Company's Ordinary Shares are currently trading on the AIM market of the London Stock Exchange plc, the newly issued Ordinary Shares will rank pari passu in all respects with existing Ordinary Shares.

The Company is implementing measures to reduce its administrative costs and overheads. On the operational side, whilst the board of CDS continues to see significant prospectivity in the Chaco basin, the Company is actively pursuing the farm out of its licences or a similar kind of partnership and is in preliminary discussions with a short list of counterparties. This process is likely to take several weeks and in the meantime the principal shareholders – being Feltown, Werton and Red Law Corporation Inc. - have agreed to continue to support the immediate financial needs of the Group. The current funding issues have led to a delay to the Company's proposed drilling programme and CDS is currently restricted to desktop analysis and development. It is CDS's intention that the prospective partner will be fully involved with the finalisation of the proposed drilling programme and its submission to the relevant Paraguayan authorities.

Following the issue of the 21,489,958 new Ordinary Shares ("the Conversion Shares"), the total issued share capital of the Company will be 123,365,786 Ordinary Shares.

Following conversion of the Loans into ordinary shares, Feltown will hold 43,435,509 Ordinary Shares, being 35.21% of the enlarged share capital, and Werton will hold 29,864,080 Ordinary Shares, being 24.21% of the enlarged share capital. Famay will hold 2,482,759 Ordinary Shares, being 2.01% of the enlarged share capital.

As the central management and control of CDS is outside of the UK, the Channel Islands and the Isle of Man, the provisions of the UK Takeover Code do not apply to the Company.

As a result of Feltown's and Werton's shareholdings in the Company, the issue of the Conversion Shares constitutes a related party transaction in accordance with Rule 13 of the AIM Rules for Companies. The independent directors, having consulted with the Company's nominated adviser, Hanson Westhouse Limited, consider that the terms of the transaction are fair and reasonable insofar as the shareholders are concerned.

Application has been made for 21,489,958 new Ordinary Shares to be admitted to trading on the AIM market. Admission of the new Ordinary Shares is expected to occur on 8 April 2009.

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About CDS

CDS is a UK registered company which, through its Paraguayan subsidiary, CDS Energy SA, has a 98.1% working interest in three large blocks with substantial oil and gas exploration potential. These blocks are located in the prospective eastward extension into north-west Paraguay of the productive Bolivian Chaco Basin.