

## CDS Oil and Gas Group Plc

### Preliminary results for year ended 31 December 2008

LONDON, 29 June 2009: CDS Oil and Gas Group Plc ('CDS' or 'the Company'), the AIM quoted oil and gas explorer (CDS.L) announces its final results for the year ended 31 December 2008.

#### Highlights:

- Locations in Paraguay with the potential of finding up to 250 MMBOE have been identified.
- Discussions with prospective new strategic shareholders are taking place with a view to covering the cost of the next stage of the exploration programme.

The Company's Annual Report and audited financial statements will be posted to shareholders shortly, together with a notice of the Annual General Meeting to be held at 2 pm on Friday 24<sup>th</sup> July 2009 at the offices of Hanson Westhouse Limited, One Angel Court, London EC2R 7HJ.

#### Note to Editors:

CDS Oil and Gas Group Plc is a UK company which, through its Paraguayan subsidiary, CDS Energy SA (together 'the Group'), has a 98.2% working interest in three large blocks with substantial oil and gas exploration potential in the prospective eastward extension into north-west Paraguay of the productive Bolivian Chaco Basin.

#### Further information:

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## COMBINED CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

### 2008 Review

On the 5 May 2009, the Company was able to announce the completion of the interpretation and analysis of its geological and geophysical studies, soil gas geochemistry survey and seismic survey. The Company is pleased that the results of the data interpretation have confirmed the potential of certain areas within the Company's Gabino Mendoza and Boquerón blocks. The prospective unrisks aggregated hydrocarbon resource estimates for CDS' prospects include 243 MMBO (millions of barrels of oil) and 161 BCF (billion cubic feet) of non-associated gas. The analysis has identified several drill prospects and the Group is currently in discussions with potential partners to fund the next stage of its exploration programme.

As announced in the interim statement, the physical exploration programme was completed in September 2008. The soil geochemistry survey was analyzed by Houston-based Exploration Technologies, Inc. The seismic data was processed by two Houston-based oil and gas service companies, Tricon Geophysics, Inc. and Texseis Inc. and interpretation was then undertaken by the Company's in-house geosciences team in Houston.

In the Gabino Mendoza block, the moderate level of positive soil geochemistry anomalies indicates the presence of a mixed oil and gas source. The Gabino Mendoza prospect consists of an unconventional gas resource which extends over an area of a few hundred square kilometres, having a sedimentary column in excess of 1,200 metres, which would result in prospective resources on an un-risked basis of 140 BCF.

In the Boquerón block where three prospects have been identified - Picuiba Nose, East Emilia and Emilia - the Carboniferous target sands were deposited in the same proximal deep submarine fan facies as the giant San Alberto/San Antonio Field and others in southern Bolivia.

From the soil geochemistry survey, it appears that the Picuiba Nose prospect has good hydrocarbon source potential from a mixed oil and gas source. The Picuiba Nose prospect is a 1,100 hectare structural dome located on the crest of a northwest-plunging anticlinal nose. The prospect's prospective resources have an un-risked estimated ultimate recovery ("EUR") of 175 MMBO.

The Emilia East prospect features a low-relief structure, with top-seals in the Cretaceous and the Permian above the Carboniferous. This prospect has un-risked prospective resources of 21 BCF non-associated gas and 38 MMBO, derived from volumetric EUR calculations from prospect maps.

In the Emilia prospect, the Carboniferous target sands were deposited in a submarine fan. The targets are the same age and facies as the 22 TCF (trillion cubic feet) San Alberto Gas Field in Bolivia. This prospect has un-risked prospective resources of 30 MMBO, based on volumetric EUR calculations from prospect maps.

We believe that the comprehensive programme, implemented by the Group for an amount of more than USD30 million, has resulted in a total potential of finding up to 250 MMBOE (millions of barrels of oil equivalent). It represents a strong encouragement to persevere in our exploration efforts and work towards the start of a drilling programme on the Boqueron block.

During 2008, the Company had been pleased to welcome Petro Saudi Ltd. Inc. ("Petro Saudi") as a significant shareholder. However, the discontinuation of the relationship with PetroSaudi in February 2009 means that the Company no longer has immediate access to the funding of its further expansion. Discussions with prospective new strategic shareholders are taking place with a view to covering the cost of the next stage of the exploration programme.

### **Going concern**

The Group, like many junior exploration companies, has had to adapt to very difficult economic and financial conditions.

The Group's working capital has been utilised in the last year such that the Group currently does not have sufficient funds to finance the continuation of planned work programmes on its exploration assets. These are estimated to cost up to \$18 million over the next year. The Group's ability to continue as a going concern is dependent upon new funding being negotiated and the postponement of the minimum commitments stipulated in the terms of the exploration licences until such a time that new funding is available.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

At this time, the Group has received a significant level of interest from prospective investors with a view to covering the cost of the next stage of the exploration programme and whilst no funding arrangements have yet been formally agreed, the Directors are confident that further funds will be arranged in the near future. The Ministry of Public Works and Communications (MOPC, which is also responsible for energy and mining) of Paraguay has orally agreed for the minimum commitments stipulated by the licences to be postponed for a minimum of six months, allowing the Company time to source further financing. Written confirmation of this postponement and the specific conditions attached to it has been requested, but has not yet been received.

Given the nature of the Group's operations, it is capable of winding down to allow just a relatively low residual level of overheads to be incurred (for example the Directors have agreed to the deferment of their remuneration). This flexibility allows it to remain a going concern until such a time when market conditions had improved.

Additionally, as announced, in April 2009 the Company agreed with certain loan providers and suppliers of services, to convert amounts due to them as of 31 March 2009 (\$3,116,000) into new ordinary shares, thus alleviating a significant amount of financial pressure.

Taking into account the above, and after making suitable enquiries the Directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Group has, or will have, adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**John W.S. Bentley** (Chairman)

**Patrice Roman** (Chief Executive Officer)

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

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	<u>2008</u> <u>US\$'000</u>	<u>2007</u> <u>US\$'000</u>
Administrative expenses	(2,327)	(1,593)
<b>Loss from operations</b>	<b>(2,327)</b>	<b>(1,593)</b>
Finance income	146	361
Finance expense	(41)	(7)
<b>Loss for the year before taxation and loss for the year</b>	<b>(2,222)</b>	<b>(1,239)</b>
<b>Attributable to:</b>		
- Equity holders of the parent	(2,222)	(1,239)
<b>Loss per share expressed in US\$ per share</b>		
– Basic and diluted loss per share	<u><b>\$(0.02)</b></u>	<u><b>\$(0.02)</b></u>

All amounts relate to continuing activities.

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	<u>2008</u> <u>US\$'000</u>	<u>2007</u> <u>US\$'000</u>
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	27,888	14,833
Property, plant and equipment	331	456
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	<b>28,219</b>	15,289
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<b>Current assets</b>		
Inventory	1,618	1,618
Prepayments and other receivables	56	633
Cash and cash equivalents	200	11,523
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	<b>1,874</b>	13,774
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<b>Total assets</b>	<b>30,093</b>	29,063
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<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(1,364)	(447)
Borrowings	(2,291)	-
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<b>Total liabilities</b>	<b>(3,655)</b>	(447)
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<b>Net assets</b>	<b>26,438</b>	28,616
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<b>Capital and reserves attributable to shareholders</b>		
Share capital	19,745	19,715
Share premium	14,254	14,242
Merger reserve	(1,097)	(1,097)
Foreign currency translation reserve	-	(62)
Retained deficit	(6,474)	(4,190)
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Capital and reserves attributable to equity holders of the parent	<b>26,428</b>	28,608
Minority interest	10	8
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<b>Total equity</b>	<b>26,438</b>	28,616
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**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<u>2008</u> <u>US\$'000</u>	<u>2007</u> <u>US\$'000</u>
<b>Cash flow from operating activities</b>		
Loss before taxation	(2,222)	(1,239)
Adjustments for:		
- Finance income	(146)	(361)
- Finance expense	41	7
- Effect of foreign exchange rate changes on cash and cash equivalents held	69	-
- Equity-settled share-based payment expense	42	-
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<b>Net cash flow from operating activities before changes in working capital</b>	<b>(2,216)</b>	<b>(1,593)</b>
Increase in inventories	-	(49)
Increase/(decrease) in payables and provisions	919	(357)
Decrease/(increase) in receivables	577	(541)
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<b>Net cash flow from operating activities before interest and taxation paid</b>	<b>(720)</b>	<b>(2,540)</b>
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<b>Investing activities</b>		
Payments for property, plant and equipment	(108)	(309)
Interest received	146	361
Proceeds from the disposal of property, plant, and equipment	72	-
Exploration costs capitalised	(12,894)	(3,761)
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<b>Net cash flow from investing activities</b>	<b>(12,784)</b>	<b>(3,709)</b>
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<b>Financing activities</b>		
Issue of ordinary shares	-	18,055
Cost of share issue	-	(804)
Proceeds from borrowings	2,250	-
Interest paid	-	(7)
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<b>Net cash flow from financing activities</b>	<b>2,250</b>	<b>17,244</b>
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Effect of foreign exchange rate changes on cash and cash equivalents held	(69)	141
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<b>Net (decrease)/increase in cash and cash equivalents in the year</b>	<b>(11,323)</b>	<b>11,136</b>
Cash and cash equivalents at the beginning of the year	11,523	387
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<b>Cash and cash equivalents at the end of the year</b>	<b>200</b>	<b>11,523</b>
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## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2008 or 2007 and has been extracted from the audited financial statements which will be available on the Company's website ([www.cdsogg.com](http://www.cdsogg.com)) shortly. The statutory accounts for the year ended 31 December 2008 are being finalised on the basis of the financial information presented by the Directors in this preliminary announcement.

### 2. LOSS PER ORDINARY SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In order to calculate diluted loss per share, the weighted average number of ordinary shares in issue would be adjusted to assume conversion of all dilutive potential ordinary shares according to IAS 33. In 2008 and 2007 the Group made a loss after taxation and the effect of the potential ordinary shares is anti-dilutive and therefore the diluted loss per share is the same as basic loss per share.

	<b>Earnings US\$'000</b>	<b>2008 Weighted average number of shares</b>	<b>Per share amount (US dollars)</b>	<b>Earnings US\$'000</b>	<b>2007 Weighted average number of shares</b>	<b>Per share amount (US dollars)</b>
<b>Basic and diluted loss per share</b>	<b>(2,222)</b>	<b>101,677,217</b>	<b>(0.02)</b>	<b>(1,239)</b>	<b>69,748,173</b>	<b>(0.02)</b>