

NEWS RELEASE

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CDS AGREES TO £8.526 MILLION PLACING WITH GROUP OF INVESTORS TO TAKE UP A 59.9% CONTROLLING INTEREST IN THE COMPANY

LONDON, England: 18 May 2007 - CDS Oil & Gas Group plc ("CDS" or the "Company"), the AIM-listed oil and gas explorer (CDS.L), is pleased to report that further to its statement on Monday, 14 May, a group of investors has agreed to subscribe for 609 million new shares in cash at an issue price of 1.4 pence per share to raise £8,526,000 net of expenses which, post the placing, will be equivalent to approximately 59.9% of the enlarged share capital. The proposed investors are private companies controlled by Mr Patrice Roman, Mr Jean-Gabriel Antoni and Mr Christo Christidis.

The proceeds of the issue will significantly improve the Company's financial position, enabling it to fulfill its contractual obligations related to the Boqueron and other concessions in the Chaco region of Paraguay and proceed to an intensive work program.

The UK Takeover Panel has, conditional upon shareholder approval, agreed to waive the requirements of Rule 9 of the Takeover Code which would otherwise require the investors to make a general offer for the existing ordinary shares.

The proposed investors will also be granted new warrants and options so that together with the new subscription shares, they will hold approximately 59.9% of the fully-diluted equity of the Company. The new warrants and options will be granted on substantially the same terms and conditions to match those already existing.

The subscription is conditional on shareholder approval which will be sought at an extraordinary general meeting of the Company in London on 14 June 2007. Shareholders, including directors of CDS, representing approximately 55.0% of the Company's shares, have given irrevocable commitments to vote their shares in support of the proposed subscription.

On completion of the subscription Mr Roman will join the Board of CDS as an executive director and be appointed chief executive officer. In addition Mr Takeo Hirata and Mr Evanan Romero will join the Board as non-executive directors.

Mr Roman has a degree in law and political science from the University of Lyon and was formerly chief operating officer of Marcotrade SA, a Geneva-based company active in the trading of crude oil and refined products. Since 1992 he has been an independent consultant in the energy, environment and transportation sectors. Mr Hirata has held several important posts within the Japanese Government's Agency of Natural Resources and Energy, including that of Director of International Petroleum Affairs and Director of Petroleum Exploration and Production. He has also served as First Secretary at the Japanese Embassy in Brazil. Mr Romero is a petroleum engineer and initially worked with Shell Oil and then Arco in Venezuela. He is a former Vice

Minister of Energy and Mines in the government of Venezuela and also served as managing director of Petroleos de Venezuela SA.

Mr Jean-Gabriel Antoni and Mr Christo Christidis are private investors. They both have extensive international experience in the banking, trading and energy sectors and have been involved for more than 25 years in the business of oil trading worldwide and of oil and gas exploration, mainly in Africa.

Mr John Bentley will continue as non-executive chairman of CDS and Mr Jeremy Eng and Mr. Guillermo Peroni will continue as non-executive directors. Mr. Daniel Morrison will continue as Sr. Vice President and executive director. Mr. James Wade will be appointed Sr. Vice President. Mr Keith Irons, a non-executive director, will stand down from the Board following the EGM.

A notice of meeting and a circular with full details of the proposed subscription is being mailed to CDS shareholders in due course.

Conditional upon shareholder approval there will also be a 1 for 10 consolidation in the Company's shares such that application will be made for 101,675,827 ordinary shares of 10p each in the Company to be admitted to trading on the AIM Market ("Admission"), being the sum of the consolidated existing shares in issue and the new shares which are the subject of the placing. The share register for existing ordinary shares of 1p each will close at 5.00pm on 14 June 2007. The new shares to be issued to the investors will rank pari passu with the ordinary shares in the Company arising on the share consolidation and it is expected that Admission and dealings in the new form of shares will commence at 8.00am on 15 June 2007. The warrants will not be admitted to trading on AIM. Following the consolidation and Admission, there will be 101,675,827 Ordinary shares of 10p each in the Company in issue, and 144,167,958 on a fully diluted basis following the conversion of all options and warrants.

Conditional upon shareholder approval of the consolidation, Crest accounts will be credited with the new consolidated shares on 15 June 2007, the first day of dealing. If a shareholder holds a share certificate in respect of an Existing Ordinary Share, the certificate will no longer be valid from the time the proposed Share Consolidation becomes effective. If a shareholder holds 10 or more Existing Ordinary Shares at 5.00 p.m. on 14 June 2007, such shareholder shall be sent a new share certificate evidencing the New Ordinary Shares that such shareholder is entitled to under the Share Consolidation. Such certificates are expected to be despatched no later than 22 June 2007. Upon receipt of the new certificate, shareholders should destroy any old certificates. Pending the despatch of new certificates, transfers of certificated New Ordinary Shares will be certified against the Company's share register.

Mr John Bentley, chairman of CDS, said: "We are pleased to have secured this substantial new funding from a group of investors with a successful track record in the oil and gas business. These funds will provide CDS with a strong financial base from which to move forward with the exploration of its Paraguayan properties including deepening of the well on Gabino Mendoza and the continuation of operations on the Boqueron Block.

"We are also pleased to welcome Messrs Roman, Hirata and Romero to the board with their wide experience of the international oil and gas industry. I would also like to thank Keith Irons for his invaluable contributions to the formation of the company and his support during what has been a challenging period since the company's IPO in 2005".

CDS is a UK company which, through its Paraguayan subsidiary, CDS Energy S.A., has a 98.1% 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.

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