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For release

Friday, October 06 2006

CDS raises £1.8 million in placing for oil & gas exploration in Paraguay

LONDON, England: 5 October 2006- CDS Oil & Gas Group plc ("CDS"), the AIM-listed oil and gas explorer (CDS.L), is pleased to report that it has raised a total of £1.82 million gross, before expenses, through a placing of 145.4 million Units, comprising one share and one warrant, with institutional and other investors.

CDS is a UK company which, through its Paraguayan subsidiary, CDS Energy S.A., has a 100% 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.

The funds raised will be used to progress the Company's exploration programme in the Chaco region of Paraguay where it has several significant hydrocarbon leads, and to repay residual debts arising from the drilling in late 2005 of the Company's first well on the Gabino Mendoza block.

For the remainder of 2006 CDS plans to focus its efforts on shallow oil exploration in the Carboniferous around the Emilia well in the Boqueron Block, and continued exploration for deep Devonian gas in the Gabino Mendoza Block. The Emilia prospect located on the Boqueron Block and Gabino Mendoza prospect remain the most advanced and prospective of CDS's properties. The Company plans to conduct a geophysical programme over selected areas in October and a further program over a wider area is being considered prior to start of the wet season. Reprocessing of 930km of existing seismic data will also be performed in 2006.

The Company is actively pursuing farm-out opportunities and is currently in discussions with several parties interested in the CDS properties with a view to farm-ins or joint venture participation. The company has retained marketing consultants to assist with this endeavour.

James G Wade (66) has retired as chief executive following completion of the Placing but he will remain a director and consultant to the Company. Jim Wade was a joint founder of CDS and was instrumental in its development and in bringing it to the AIM market in London. John Bentley, CDS Chairman, said today "We are grateful to Jim for his vision in seeing the opportunity in Paraguay and for his commitment and hard work over several years to the development of CDS".

Application will be made for up to 145,358,800 ordinary shares of 1p each in the Company to be admitted to trading on the AIM Market. The new shares will rank pari passu with existing ordinary shares in the Company and is expected that admission and trading in the shares will commence on 12 October 2006. The warrants will not be listed.

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