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CDS reports failure of key Placée to complete subscription in recent placing

LONDON, England: 21 December 2006 - CDS Oil & Gas Group plc ("CDS" or "the Company"), the AIM-listed oil and gas explorer (CDS.L), regrets to report that one of the key Placées in the recently-completed fund-raising has so far failed to remit the funds due to the Company. On 5 October CDS reported that it had 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.

Calim Private Equity LLC of Aspen, Colorado, USA, ("Calim") signed an irrevocable commitment to subscribe for 42 million units with a total investment of £525,000. This amount was to be paid in five tranches, payable monthly from September 2006 to January 2007. To date CDS has not received any funds from Calim and the 42 million new shares have not been issued.

It is hoped that all funds will be remitted in January but CDS is considering all options open to it, including the possibility of taking legal action, to require Calim to meet its obligations.

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 in the Placing have been used to progress the Company's exploration programme in Paraguay and to repay residual debts arising from the drilling in late 2005 of the Company's first well on the Gabino Mendoza block. All of these debts have now been repaid with the exception of one claim which is the subject of international arbitration.

CDS has sufficient funds to meet its immediate needs and is currently in discussions with several third parties interested in the CDS properties with a view to farm-ins, joint venture participation or significant new equity investment.

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