Q2 INTERIM REPORT 2007

DIAZ RESOURCES LTD.

Corporate Profile

Diaz Resources Ltd. is an oil and gas exploration and development company with land holdings and production in Canada and the United States. The Company's principal business is the exploration for and marketing of natural gas, with the majority of the Company's revenue being generated from gas production in Alberta and Texas.

The Company's current focus is on the exploration for natural gas along a deep Wilcox trend in Texas. In Canada, Diaz is presently developing shallow gas prospects in southern Alberta and oil prospects in Alberta and Saskatchewan.

Corporate Summary

(Unaudited) (Thousands, except per share amounts)	Six Months Ended June 30 2007	2006
Financial		
Total revenue	$ 6,262	$ 8,530
Cash flow from operations	$ 3,097	$ 5,518
per share, diluted	$ 0.05	$ 0.09
(Loss) earnings for the period	$ (766)	$ 2,360
per share, diluted	$ (0.01)	$ 0.04
Capital additions	$ 5,188	$ 6,770
Dispositions	$ 462	$ -
Net debt *	$ 13,619	$ 8,701
Total assets	$ 60,503	$ 55,892
Operations		
Production		
Gas (MMcfd)	5.1	6.3
Oil (Bopd)	84	149
BOEd (6Mcf = 1Bbl)	942	1,206
Product Prices		
Gas ($/Mcf)	$7.36	$ 7.63
Oil ($/Bbl)	$58.90	$ 64.31
Total shares outstanding, at period end	63,929	61,850

* Net debt includes $7.1 million of convertible debentures issued in Q1 2007, rather than the balance sheet amount of $5.7 million. See Note 6, "Convertible Debentures", in the notes to the financial statements for the period ended June 30, 2007.

To The Shareholders

Diaz's financial and operating results for the six months ended June 30, 2007, were lower than the first half of 2006, due to lower commodity prices and reduced production volumes.

North American natural gas pricing has been hampered by moderate weather allowing natural gas storage inventories to recover to the previous year's levels. Conversely, world oil pricing has strengthened due to supply concerns.

In the longer term, Canadian gas drilling rates, which are significantly below the five year average, will lower Canadian gas deliverability and when coupled with an increasing demand for natural gas for oil sands development should reduce the Canadian natural gas volumes available for export to the United States. Ultimately, this should help North American gas prices to recover back to energy parity with oil prices.

In the near term, Diaz will focus on developing its Canadian oil properties and its deep Wilcox gas properties in Texas.

United States

In the first half of 2007, Diaz's focus has been on developing the Cheney prospect which should be tested in the third quarter of 2007. In Texas, Diaz has identified up to 16 locations for wells on lands currently under lease and will rank and prioritize these wells for drilling during the second half of 2007 and 2008.

Cheney, Colorado County, Texas – Working Interest 20%

In Texas, the Cheney #1 well began drilling in April and reached a total depth of 18,400 feet in early July 2007. Based on the Company's log analysis, the well encountered 40 feet of gross pay and 30 feet of net pay in the Wilcox #18 zone which was the primary horizon in the well.

Completion operations are expected to be carried out in the third quarter of 2007 when Diaz plans to conduct a fracture stimulation and production test of the zone.

Canada

During the first 6 months of 2007 in Canada, Diaz participated in drilling and or re-entering four wells (2.2 net) resulting in two gas wells (1.2 net), one oil well (0.2 net) and one dry hole (0.8 net).

Hays, Alberta, Canada – Working Interest 80%

In November 2006, Diaz drilled an Arcs oil discovery which encountered two productive zones.

During the second quarter of 2007 Diaz completed installation of a battery and sales gas line. Testing of both zones indicated lower than anticipated rates of oil production and increasing volumes of gas. The lower zone is currently being produced and evaluated and commingling of the zones may be conducted during the third quarter.

Additional development drilling will be required to properly test this structure.

Parkman, Saskatchewan, Canada – Diaz Working Interest 37.5 %

In the third quarter of 2007, Diaz drilled a horizontal Tilston oil well on its Parkman property located in South East Saskatchewan. Completion operations are underway. This well has the potential to significantly increase the Company's current oil production.

Financial

Revenue for the three and six month periods ended June 30, 2007, totaled $3.0 million and $6.3 million respectively compared with $3.9 million and $8.5 million respectively for the same periods in 2006.

Cash flow from operations for Q2 2007 decreased to $1.5 million, or $0.02 per share compared with $2.2 million or $0.03 per share in Q2 2006. Cash flow from operations for the six month period ended June 30, 2007, was $3.1 million or $0.05 per share compared with $5.5 million or $0.09 per share in the previous year.

Diaz reported a loss for Q2 2007 of $488,000 , or $(0.01) per share compared with earnings of $1.4 million, or $0.02 per share, reported in Q2 2006. For the six month period ended June 30, 2007, the Company had a loss of $766,000 or $(0.01) per share versus income of $2.4 million or $0.04 per share in the prior year six month period.

Capital expenditures for the first half of 2007 totaled $5.2 million compared with $6.8 million for the same period in 2006 and were financed from cash flow, capital dispositions and a convertible debenture financing completed in the 1st quarter 2007.

Diaz completed the second quarter with net debt of $13.6 million versus $11.2 million at the beginning of the year. Diaz's net debt includes $7.1 million of convertible debentures.

Production

Natural gas production for Q2 2007 decreased to 4.7 MMcfd from 6.5 MMcfd for Q2 2006 and oil production declined to average 78 Bopd for the quarter compared with 141 Bopd for the same period in 2006. For the six month period ended June 30, 2007, natural gas production decreased 19% to 5.1 MMcfd from 6.3 MMcfd for 2006 and oil production declined 44% to average 84 Bopd compared with 149 Bopd for the same period in 2006. Over 50% of the natural gas production decline is the result of the Hancock #2 well which has been shut-in during most of the year.

Business Outlook

The Company will continue with its planned exploration and development activities during the second half of the year. Highlights for the second half will be the completion of the horizontal oil well at Parkman, Saskatchewan, and the Cheney #1 well in Colorado County, Texas, and multiple exploration wells both in Canada and in the United States.

On behalf of the Board,

D.K. Clark, Chief Operating Officer R.W. Lamond, Chairman

August 14, 2007

Management's Discussion and Analysis ("MD&A")

August 14, 2007

The following discussion and analysis is management's assessment of Diaz's historical, financial and operating results. This review should be read in conjunction with the unaudited consolidated financial statements of the Company for the six months ended June 30, 2007, and the audited financial statements at December 31, 2006. The reader should be aware that historical results are not necessarily indicative of future performance.

Basis of Presentation

The financial data presented herein has been prepared in accordance with accounting principles generally accepted in Canada. All dollar amounts are in Canadian dollars unless otherwise indicated.

Non-GAAP Measurements – The Management's Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful as an indicator of the Company's performance than, cash flow from operating activities, as determined in accordance with accounting principles generally accepted in Canada. Diaz's determination of cash flow from operations may not be particularly comparable to that reported by other companies especially those in other industries. The reconciliation between net earnings and cash flow from operations can be found in the consolidated statements of cash flows in the consolidated financial statements. The Company also presents cash flow from operations per share whereby per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of earnings per share. In addition, the Company presents "net debt", which is calculated as the aggregate of long term debt and working capital.

BOE Presentation – The term barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in this report are derived by converting gas to oil in the ratio of six Mcf of gas to one Bbl of oil.

Forward-looking Statements – Certain of the statements contained herein including, without limitation, financial and business prospects and financial outlook, reserve and production estimates, drilling and re-completion plans, timing of drilling, completion and tie-in of wells and capital expenditures and the timing thereof may be forward-looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" in the Company's Annual Information Form and elsewhere herein. The recovery and reserve estimates of Diaz's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect Diaz's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at Diaz's website (www.diazresources.com). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, including but not limited to assumptions as to the price of oil and natural gas, interest rates, exchange rates and the regulatory and legal environment in which Diaz operates, the producibility of Diaz's reserves, the capital expenditures program and future operations and other matters, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

Operations

Diaz is primarily a natural gas producer with 91% of its production for the six month period ended June 30, 2007, coming from natural gas wells. Diaz owns interests in producing properties in Alberta and Saskatchewan in Canada, and in Texas in the United States.

Where meaningful, the following production information has been segmented for each of the Company's geographic areas of operations.

Oil & Gas Production	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Gas - Canada				
Retlaw	698	874	719	920
Enchant	752	947	684	956
Jaslan	289	41	449	35
Carmangay	166	248	204	267
Therien	207	199	224	210
Harmattan	203	295	206	294
Iron Springs	55	69	57	70
Provost	48	93	50	87
Other	269	410	287	352
Gas - Canada (Mcfd)	2,687	3,176	2,880	3,191
Oil & Liquids - Canada				
Parkman	19	43	21	48
Harmattan	20	45	20	50
Hays	7	-	8	-
Red Earth	11	7	8	9
Other	11	31	17	29
Oil & Liquids - Canada (Bopd)	68	126	74	136
BOEd - Canada (6Mcf = 1Bbl)	516	656	554	667
Gas - U.S.				
Hound Dog	737	760	863	897
Provident City	860	1,288	897	1,099
Allen Ranch	405	1,174	463	1,093
Mustang Creek	50	52	44	60
Other	-	-	1	4
Gas - U.S. (Mcfd)	2,052	3,274	2,268	3,153
Oil & Liquids - U.S.				
Provident City	9	14	8	12
Other	1	1	2	1
Oil & Liquids - U.S. (Bopd)	10	15	10	13
BOEd - U.S. (6Mcf = 1Bbl)	352	561	388	539
Gas - Company (Mcfd)	4,739	6,450	5,148	6,344
Oil and Liquids - Company (Bopd)	78	141	84	149
BOEd - Company	868	1,217	942	1,206

United States

In the United States, normal production declines from wells on the Wilcox trend and the loss of production from the Hancock #2 well for the six month period ended June 30, 2007, has led to a 28% reduction in U.S. gas production to an average of 2.3 MMcfd compared with 3.2 MMcfd for the first half of 2006. For Q2 2007 production was 2.0 MMcfd compared with 3.3 MMcfd for the prior year period. Diaz anticipates U.S. gas production should be higher in the second half of 2007 when mechanical difficulties with the Hancock #2 well have been rectified and the well is returned to production. Also, new production could be added when the Cheney #1 well is brought online.

Cheney, Colorado County, Texas – Working Interest 20%

On July 10, 2007, drilling reached a total depth of 18,400 ft after which the well was cased. Based on the Company's log analysis, the well has encountered 40 ft of gross pay and 30 feet of potential net gas pay, in the Wilcox #18 zone, which was the primary target horizon in the well.

Completion operations are anticipated to commence in the third quarter when Diaz plans to perform a fracture stimulation and production test of the zone.

Allen Ranch, Colorado County, Texas – Working Interest 20%

The Hancock #2 well was cased in February 2006. The well has been completed in four Wilcox gas zones. In Q2 2007, during commingling operations a hole in the production tubing was discovered at 9,500 feet. The tubing has been pulled and was sent out for inspection prior to plans to proceed with the commingling operation. Plans are underway to replace the damaged tubing and complete the commingling operation.

Canada

In Canada, natural gas production for the six month period ended June 30, 2007, declined by 10% to 2.9 MMcfd compared to production of 3.2 MMcfd in the first half of 2006. For Q2 2007, production was 2.7 MMcfd compared with 3.2 MMcfd for the prior year period. Natural declines were substantially offset by new production added from the Jaslan field.

Diaz's oil production declined by 46% for the six month period ended June 30, 2007, to 74 Bopd compared to 136 Bopd for the first half of 2006. The primary cause of the decline was reduced output from the Parkman and Harmattan fields as higher initial field rates from 2006 have declined to the lower stabilized rates realized in the first half of 2007.

Hays, Alberta, Canada – Working Interest 80%

During the second quarter of 2007 Diaz completed installation of the battery and sales gas line. Testing of the lower zone is underway. To date the lower zone has not performed as expected as the oil rate has been declining and the gas rate increasing.

Additional development drilling will be required to properly test this structure.

Parkman, Saskatchewan, Canada – Working Interest 37.5 %

In the third quarter of 2007 Diaz drilled a horizontal Tilston oil well on its Parkman property located in South East Saskatchewan. Completion operations are underway. This well has the potential to significantly increase the Company's current oil production.

Jaslan, Alberta – Working Interest 37.5%

In November 2006, Diaz installed a compressor station and 10 kilometres of pipeline connecting 5 gas wells (2.25 net wells). The project has added 414 Mcfd net to Diaz during the first half of 2007. Unfortunately, production from the wells have been declining at rates higher than expected.

The Company's overall production for the first half of 2007 declined by 22% to average 942 Boed compared to the prior period average rate of 1,206 Boed.

Product Prices	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Canada				
Gas ($/Mcf)	$ 7.25	$ 5.90	$ 7.17	$ 7.48
Oil & Liquids ($/Bbl)	$ 61.15	$ 67.26	$ 57.98	$ 63.19
$/BOE	$ 45.83	$ 41.54	$ 45.03	$ 48.59
U.S.				
Gas ($/Mcf)	$ 7.79	$ 7.16	$ 7.61	$ 7.78
Oil & Liquids ($/Bbl)	$ 67.45	$ 78.11	$ 66.00	$ 75.36
$/BOE	$ 47.33	$ 43.91	$ 46.18	$ 47.39
$/BOE - Company	$ 46.44	$ 42.63	$ 45.50	$ 48.05

Natural gas prices declined throughout the second half of 2006 from the above average levels received in Q1 2006. This decline was the result of an unusually warm winter and the resulting increasing levels of gas in storage. During the first half of 2007 gas storage levels were drawn down faster than in the previous year helping to support a strong natural gas price in Canada and in the United States. The resulting trend in natural gas pricing is that natural gas prices were higher in the second quarter of 2007 than in the prior year but slightly lower overall for the six month period when compared to the prior year.

In Canada, Diaz received an average price of $7.25 per Mcf in Q2 2007, 23% higher than the comparable period in 2006. In the U.S., the natural gas price of $7.79 per Mcf in Q2 2007 was 9% above the comparable period in 2006. For the six month period ended June 30, 2007, the average price of natural gas realized in Canada was $7.17 per Mcf down 4% from 2006 and in the U.S. the six month average natural gas price realized was $7.61 per Mcf down just 2% over the prior year.

The Company's average oil price for the first half of 2007 decreased by 8% in Canada where most of the Company's oil is produced. Overall, the Company's average price per BOE for the six month period was down 5% compared with the prior year six month period as second quarter higher average prices were offset by lower prices from the first quarter.

The Company anticipates that natural gas prices for the second half of 2007 will range between $5.50 and $7.50 per Mcf throughout 2007. However, Diaz has entered into various fixed contracts through the second quarter of 2008 agreeing to sell approximately 1.7 MMcfd of natural gas at floor prices from $7.81 per Mcf to $8.99 per Mcf which should allow the Company to realize higher than market prices during the second half of the year.

Revenue from Oil and Gas Production *(Thousands)*	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Canada				
Natural gas	$ 1,773	$ 1,705	$ 3,736	$ 4,318
Oil and natural gas liquids	378	774	782	1,552
Total - Canada	$ 2,151	$ 2,479	$ 4,518	$ 5,870
U.S.				
Natural gas	$ 1,454	$ 2,134	$ 3,125	$ 4,439
Oil and natural gas liquids	$ 62	106	$ 115	182
Total - U.S.	$ 1,516	$ 2,240	$ 3,240	$ 4,621
Total Production Revenue - Company	$ 3,667	$ 4,719	$ 7,758	$ 10,491

Average BOE prices realized in the second quarter of 2007 were 9% higher but production was 29% lower compared to Q2 2006 resulting in an overall decline in production revenues for the quarter of 22% or $1.1 million. For the six month period ended June 30, 2007, average BOE prices realized were 5% lower compared to the first half of 2006 and production was 22% lower resulting in an overall decline in production revenues of 26% or $2.7 million.

For the first half of 2007, Canadian revenue declines of $1.4 million were comprised of a $357,000 negative price variance and a $995,000 negative volume variance compared to the prior year six month period. In the United States, revenue declines of $1.4 million were calculated to be a $85,000 negative price variance and a $1.3 million negative volume variance compared to the prior year second quarter.

For the second half of 2007, Diaz anticipates continued stronger gas prices compared with the second half of 2006 and an increase in natural gas production in the United States and Canada should result in production revenue growth for the second half of 2007. Increased production in the U.S. is anticipated at Provident City with the installation of additional compression and at Hound Dog with the completion of additional zones. The Hancock #2 well should also add production when the tubing has been re-installed. Also, the Cheney #1 well should be completed by the end of the third quarter and on stream in Q4 2007. In Canada, additional production is anticipated from new wells to be drilling during the second half of 2007.

Royalties *(Thousands, except per BOE and percentage amounts)*	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Canada				
Crown	$ 117	$ 224	$ 399	$ 535
Freehold	89	119	170	290
Alberta Royalty Tax Credit (ARTC)	-	(44)	-	(110)
Royalties, net of ARTC	$ 206	$ 299	$ 569	$ 715
per BOE	$ 4.39	$ 5.03	$ 5.68	$ 5.93
Royalties as a percentage of revenue	9.6%	12.0%	12.6%	12.2%
U.S.				
Royalties	$ 466	$ 548	$ 964	$ 1,263
per BOE	$ 14.55	$ 10.74	$ 13.74	$ 12.95
Royalties as a percentage of revenue	30.7%	24.5%	29.8%	27.3%
Total Royalties - Company	$ 672	$ 892	$ 1,533	$ 2,088
per BOE	$ 8.52	$ 8.06	$ 8.99	$ 9.57

In Canada, royalty rates were 3% higher during the first half of 2007 at 12.6% of revenue compared with an average of 12.2% in the first half of 2006. The Alberta government has discontinued the Royalty Tax Credit program effective January 1, 2007, which accounts for the bulk of the variance. Diaz anticipates royalty rates should average approximately 12% - 15% of revenue during 2007. However, during the second quarter of 2007 royalties were only 9.6% of revenue compared with 12% in Q2 2006. This was caused by a gain of $127,000 realized from fixed natural gas sales contracts for Q2 2007 (nil – Q2 2006) which were not exposed to a royalty charge.

In the United States, not all wells pay full royalty while others do and depending on the weight of individual well sales this affects the overall royalty rate. Diaz anticipates royalty rates should average approximately 27% - 30% of revenue during 2007.

Operating and Transportation Expense *(Thousands, except per BOE amounts)*	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Canada	$ 623	$ 755	$ 1,407	$ 1,448
per BOE	$ 13.28	$ 12.65	$ 14.02	$ 11.99
U.S.	$ 170	$ 79	$ 362	$ 142
per BOE	$ 5.26	$ 1.55	$ 5.14	$ 1.46
Total Expense - Company	$ 793	$ 834	$ 1,769	$ 1,590
per BOE	$ 10.66	$ 7.53	$ 10.37	$ 7.28

During the three month period ended June 30, 2007, operating costs increased in Canada and the U.S., to $13.28 per BOE and $5.26 per BOE respectively compared to Q2 2006. Total operating costs for the six month period ended June 30, 2007, increased by 42% to average $10.37 per BOE from $7.28 per BOE in 2006. This increase is a result of prevailing cost pressure in the oil and gas sector. Also, the increasing costs combined with lower production results in the fixed component of operating expense to be a higher ratio to the overall production which increases the cost per BOE.

Overhead & Stock Based Compensation *(Thousands, except per BOE amounts)*	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Cash compensation costs	$ 401	$ 267	$ 810	$ 538
Stock based compensation costs	74	133	135	237
Other overhead costs	295	290	635	590
Recovered from third parties	(223)	(71)	(434)	(173)
Capitalized	(52)	(46)	(115)	(92)
Net overhead	$ 495	$ 573	$ 1,031	$ 1,100
per BOE	$ 6.27	$ 5.18	$ 6.05	$ 5.04

Cash compensation and other overhead costs totaled $1.4 million for the first half of 2007, an increase of 27% over last year's total of $1.1 million. This is attributable to general inflationary costs in the very active oil and gas sector combined with an expansion of the staffing complement and an increase in office space.

Net overhead costs decreased for the second quarter and the six month period ended June 30, 2007, to $495,000 and $1.0 million respectively. For the first half of 2007, lower stock based compensation costs of $135,000 compared with $237,000 in 2006 and higher recoveries from third parties of $434,000 versus $173,000 in 2006 were mostly offset by increases to cash compensation and other overhead costs.

Interest Expense *(Thousands, except per BOE and percentage amounts)*	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Interest expense - cash	$ 268	$ 166	$ 465	$ 298
Debenture accretion and issue costs	$ 60	$ -	$ 60	$ -
Interest expense	$ 328	$ 166	$ 525	$ 298
per BOE	$ 4.15	$ 1.50	$ 3.08	$ 1.36
Average interest rate	6.8%	6.5%	6.8%	6.3%
Average bank debt	$ 6,473	$ 9,292	$ 8,032	$ 8,735

Total interest expense increased to $525,000 for the six month period ended June 30, 2007, from $298,000 reported for the first half of 2006. At the end of Q1 2007, the Company issued $7.1 million of convertible debentures having an interest rate of 8.75%. The increased level of debt together with the higher rate had the effect of increasing the Company's interest costs during Q2 2007 compared with Q2 2006. Also, debenture issue and accretion costs are charged to interest expense during the five year life of the debenture further increasing the interest expense.

Income Taxes *(Thousands)*	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Canada				
Current tax expense	$ 12	$ 1	$ 24	$ 7
Future tax expense (recovery)	(195)	(1,183)	(457)	(1,125)
Total - Canada	$ (183)	$ (1,182)	$ (433)	$ (1,118)
U.S.				
Current tax expense	$ (23)	$ 245	$ 11	$ 254
Future tax expense	212	11	318	444
Total - U.S.	$ 189	$ 256	$ 329	$ 698
Total - Company	$ 6	$ (926)	$ (104)	$ (420)

Current taxes paid in Canada consist primarily of capital tax and Saskatchewan provincial tax, which are based on the Company's balance sheet and gross revenue in the province. In Canada, the Company has estimated income tax pools that, together with its planned exploration and development expenditures, should be sufficient to allow Diaz to defer current taxes payable during 2007.

In the United States, the Company was cash taxable in 2006. Diaz plans to increase capital spending in the U.S. during 2007. This should reduce the amount of current taxes otherwise payable; however, Diaz anticipates that it may be taxable on a current basis in 2007.

In December 2006, the Company issued $2 million of flow-through shares and has to spend this amount on exploration costs prior to December 31, 2007. As of the period ended June 30, 2007, Diaz had approximately $1.5 million remaining of this obligation.

Future income tax recovery in Canada for the three and six month periods ended June 30, 2007, is the result of net losses during those periods.

Depletion, Depreciation & Accretion	Three Months Ended June 30		Six Months Ended June 30	
(Thousands, except per BOE amounts)	2007	2006	2007	2006
Canada				
Depletion and depreciation	$ 1,246	$ 1,306	$ 2,639	$ 2,654
ARO accretion	57	67	113	109
Total - Canada	1,303	1,373	2,752	2,763
per BOE	$ 27.79	$ 23.01	$ 27.45	$ 22.87
U.S.				
Depletion and depreciation	$ 410	$ 452	$ 856	$ 773
ARO accretion	1	1	2	1
Total - U.S.	$ 411	$ 453	$ 858	$ 774
per BOE	$ 12.83	$ 8.88	$ 12.22	$ 7.94
Total - Company	$ 1,714	$ 1,826	$ 3,610	$ 3,537
per BOE	$ 21.72	$ 16.50	$ 21.18	$ 16.20

The Company's depletion, depreciation and accretion costs for the six month period ended June 30, 2007, have increased to $21.18 per BOE from $16.20 per BOE for the first half of 2006. The increase in the depletion rate is the result of higher finding and development costs for the Company over the last year.

Quarterly Financial Information

(Unaudited) (Thousands, except per share amounts)	Three Months Ended							
	2007		2006				2005	
	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Production (BOEd)	868	1,017	1,074	1,059	1,217	1,196	1,362	1,152
Price ($/BOE)	$ 46.44	$ 44.70	$ 41.86	$ 40.82	$ 42.63	$ 53.63	$ 66.83	$ 53.42
Total revenue	$ 3,013	$ 3,249	$ 3,250	$ 3,145	$ 3,885	$ 4,645	$ 6,293	$ 4,585
Cash flow from operations	$ 1,541	$ 1,556	$ 1,244	$ 1,816	$ 2,199	$ 3,319	$ 4,275	$ 3,299
per share	$ 0.02	$ 0.02	$ 0.02	$ 0.03	$ 0.04	$ 0.05	$ 0.07	$ 0.05
Earnings (loss)	$ (488)	$ (278)	$ (314)	$ (591)	$ 1,353	$ 1,007	$ 2,094	$ 1,101
per share (diluted)	$ (0.01)	$ -	$ -	$ (0.01)	$ 0.02	$ 0.02	$ 0.03	$ 0.02
Fixed asset additions (net)	$ 3,319	$ 1,407	$ 3,914	$ 3,535	$ 1,521	$ 5,249	$ 5,994	$ 1,261
Total assets	$ 60,503	$ 59,480	$ 59,745	$ 58,940	$ 55,892	$ 56,657	$ 56,588	$ 50,197
Net debt *	$ 13,619	$ 11,648	$ 11,235	$ 10,387	$ 8,701	$ 9,310	$ 7,475	$ 7,651

* See Note 6, "Convertible Debentures", in the notes to the financial statements for the period ended June 30, 2007.

Diaz's production increased throughout 2005 to a high of 1,362 BOEd in Q4 2005, however, as natural gas prices began to decline in 2006, Diaz delayed development operations and production had declined through the quarters to 868 BOEd in the second quarter of 2007. As a result of this production trend the Company's revenues increased throughout 2005 to a high of $6.3 million in Q4 2005 but have subsequently declined for five of the last six quarters. This trend is also reflected in cash flow from operations and earnings over the last five periods. In Q2 2007, capital expenditures exceeded cash flow and the Company's net debt increased 15% to $13.3 million from $11.6 million in the prior quarter.

Liquidity and Capital Resources

Diaz completed Q2 2007 with a net debt of $13.3 million compared with $8.7 million at the end of Q2 2006. The Company has a credit facility of $11.5 million, of which $7.5 million was drawn at June 30, 2007. In the first quarter of 2007, the Company completed a financing raising $7.1 million through the issue of convertible debentures which are fully included in the net debt totals.

The Company's capital expenditure plans for 2007 are based on estimated cash flow for the year together with selective use of the proceeds from the convertible debentures financing.

Normal Course Issuer Bid

Diaz was authorized to repurchase up to 3,092,000 Common Shares through the facilities of the Toronto Stock Exchange pursuant to a normal course issuer bid, which expires on September 10, 2007. Shares repurchased pursuant to the bid are cancelled.

During the six months ended June 30, 2007, Diaz repurchased 7,000 of its Common Shares.

Income Tax Accounting

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Financial Reporting Update

The Canadian Institute of Chartered Accountants ("CICA") is continuously modifying the CICA Handbook with new or amended accounting standards. Diaz constantly monitors and reviews changes to the CICA Handbook and has determined that no changes were required to its accounting policies during the period ended June 30, 2007. However, several new CICA Handbook sections came into effect January 1, 2007 and were adopted by the Company. Please refer to Note 2, "Changes in Accounting Policies" in the notes to the financial statements for the period ended June 30, 2007.

In December 2006, the CICA issued a new accounting standard: Handbook Section 1535, "Capital Disclosures", requiring disclosure of information about an entity's capital and the objectives, policies, and processes for managing capital. The standard is effective for fiscal years beginning on or after October 1, 2007 and we are currently assessing the impact on the consolidated financial statements.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of Diaz are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has assessed the design of the Company's internal control over financial reporting as at December 31, 2006, and has certified that there were no changes to the controls over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Disclosure Controls and Procedures

The Company has established disclosure controls, procedures and corporate policies so that the consolidated financial results are presented accurately, fairly and timely. The disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under applicable securities regulation is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that financial information is accurate and complete.

Business Risk

The Company is engaged in the exploration, development, production and acquisition of crude oil and natural gas. Diaz's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced.

Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates and currency exchange rates. Operational risks include competition, environmental factors, reservoir performance uncertainties, a complex regulatory environment and safety concerns.

The Company minimizes its business risks by focusing on a select group of properties. This enables Diaz to have more control over the timing, direction and costs related to exploration and development opportunities. The geological focus is on areas in which the prospects are well understood by management. Technological tools are regularly used to reduce risk and increase the probability of success. The Company closely follows all government regulations and has an up-to-date emergency response plan that has been communicated to all field operations by management. Diaz also carries insurance coverage to protect itself against potential losses.

Employing a highly motivated and experienced staff of petroleum and natural gas professionals further minimizes the business risk.

The Company is exposed to commodity price and market risk for its principal products of petroleum and natural gas. Commodity prices are influenced by a wide variety of factors of which most are beyond the control of Diaz. To manage this risk, the Company has entered into a number of forward sales contracts in relation to gas prices.

Outlook

North American natural gas pricing has been hampered by moderate weather allowing natural gas storage inventories to recover to the previous year's levels. Conversely, world oil pricing has strengthened due to supply concerns.

In the longer term, Canadian gas drilling rates which are significantly below the five year average will lower Canadian gas deliverability and when coupled with an increasing demand for natural gas for oil sands development should reduce the Canadian natural gas volumes available for export to the United States. Ultimately, this should help recover North American gas prices back to energy parity with oil prices.

In the near term, Diaz will focus on developing its Canadian oil properties and its deep Wilcox gas properties in Texas.

The Company plans to continue with its planned exploration and development activities during the second half of the year. Highlights for the second half will be a horizontal oil well at Parkman, Saskatchewan, the completion of the Cheney #1 well in Colorado County, Texas, and multiple exploration wells both in Canada and in the United States.

Consolidated Balance Sheet

(Thousands, unaudited) As at	June 30 2007	December 31 2006
ASSETS		
Current Assets		
Cash	$ 471	$ 2,082
Accounts receivable	5,007	3,966
Prepaid expense	382	302
	5,860	6,350
Property, plant and equipment (Note 4)	93,051	88,306
Accumulated depletion and depreciation	(38,408)	(34,911)
	54,643	53,395
Total Assets	$ 60,503	$ 59,745
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,705	$ 6,705
Income tax payable	167	168
Bank debt (Note 3)	7,522	10,712
	12,394	17,585
Other Liabilities		
Future income tax liability	6,200	5,757
Convertible Debenture (Note 6)	5,708	-
Asset retirement obligation (Note 7)	2,730	2,596
Total Other Liabilities	14,638	8,353
	27,032	25,938
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	18,943	19,496
Other equity (Note 6)	848	-
Contributed surplus	1,261	1,126
Retained earnings	12,419	13,185
	33,471	33,807
Total Liabilities and Shareholders' Equity	$ 60,503	$ 59,745

Approved by the Board:

(Signed) *"R.W. Lamond"* Director (Signed) *"C.A. Teare"* Director

Consolidated Statement of Operations, Comprehensive Income (Loss) & Retained Earnings

(Thousands, except per share amounts) *(unaudited)*	Three Months Ended June 30 2007	Three Months Ended June 30 2006	Six Months Ended June 30 2007	Six Months Ended June 30 2006
Revenue				
Production	$ 3,667	$ 4,719	$ 7,758	$ 10,491
Royalties - net of ARTC	(672)	(847)	(1,533)	(1,978)
Interest and other income	18	13	37	17
	3,013	3,885	6,262	8,530
Expenses				
Operating and transportation	793	834	1,769	1,590
Overhead	422	440	896	863
Stock based compensation	73	133	135	237
Interest expense	328	166	525	298
Foreign exchange loss	165	59	197	65
Depletion, depreciation and accretion	1,714	1,826	3,610	3,537
	3,495	3,458	7,132	6,590
Earnings (loss) before income tax	(482)	427	(870)	1,940
Income tax				
Current expense (recovery)	(11)	246	35	261
Future tax (recovery) expense	17	(1,172)	(139)	(681)
Total income tax	6	(926)	(104)	(420)
Net earnings (loss) and comprehensive income (loss) for the period	(488)	1,353	(766)	2,360
Retained earnings, beginning of period	12,907	12,789	13,185	11,782
Retained earnings, end of period	$ 12,419	$ 14,142	$ 12,419	$ 14,142
Earnings (loss) per share, basic and diluted	$ (0.01)	$ 0.02	$ (0.01)	$ 0.04

Consolidated Statement of Cash Flows

(Thousands, unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Cash provided by (used for):				
Operating Activities				
Earnings (loss) for the period	$ (488)	$ 1,353	$ (766)	$ 2,360
Non-cash items:				
Interest expense (Note 6)	60	-	60	-
Depreciation, depletion and accretion	1,714	1,826	3,610	3,537
Stock based compensation	73	133	135	237
Future tax (recovery) expense	17	(1,172)	(139)	(681)
Foreign exchange loss	165	59	197	65
Cash flow from operations	1,541	2,199	3,097	5,518
Change in non-cash working capital	(2,191)	142	(903)	87
	(650)	2,341	2,194	5,605
Investing Activities				
Property, plant & equipment - additions	(3,322)	(1,521)	(5,188)	(6,770)
Property, plant & equipment - dispositions	3	-	462	0
Change in non-cash working capital	2,433	(1,258)	(2,413)	(3,511)
	(886)	(2,779)	(7,139)	(10,281)
Financing Activities				
Convertible debenture (net of expenses)	534	-	6,496	-
(Decrease) increase in bank debt	1,150	987	(3,190)	3,721
Common Shares				
Issued for cash on exercise of options	24	7	33	110
Repurchased for cancellation	(5)	(18)	(5)	(18)
	1,703	976	3,334	3,813
(Decrease) in cash	167	538	(1,611)	(863)
Cash, beginning of period	304	184	2,082	1,585
Cash, end of period	$ 471	$ 722	$ 471	$ 722
Supplementary information regarding cash payments:				
Interest paid during the period	$ 268	$ 166	$ 465	$ 298
Taxes paid during the period	$ 12	$ 786	$ 24	$ 786

Notes to the Consolidated Financial Statements (Unaudited)

For the period ended June 30, 2007

1. Accounting Policies

The interim consolidated financial statements of Diaz Resources Ltd. ("Diaz") have been prepared in accordance with accounting principles generally accepted in Canada. Management has made the necessary estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses in the preparation of the financial statements. Accordingly, actual results may differ from estimated amounts but management does not believe such differences will materially affect Diaz's financial position or results of operations. Certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been condensed or omitted. The reader should refer to the annual consolidated financial statements of Diaz at December 31, 2006.

2. Change in Accounting Policies

The interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements, except as follows:

Comprehensive Income

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, on January 1, 2007. The new standard introduces comprehensive income, which consists of net income and other comprehensive income. The Company does not currently have any other comprehensive income items.

Financial Instruments

On January 1, 2007, the Company adopted CICA Section 3855, Financial Instruments – Recognition and Measurement. This standard establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity," "loans and receivables" or "other financial liabilities" as defined by the standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables" and are carried at cost. Accounts payable are designated as "other financial liabilities" and are carried at cost. Long-term debt is designated as "other financial liabilities" and carried at amortized cost using the effective interest method. The financing costs associated with the Company's $7.085 million private placement of unsecured convertible debentures on March 26, 2007 are included in the amortized cost of the debt. These costs are charged to interest expense using the effective interest rate method over the term of the debt, which matures on March 26, 2012.

3. Bank Debt

Diaz utilizes a secured revolving production loan that is payable on demand and is subject to an annual review and, therefore, is considered "current" for disclosure purposes and has been disclosed under current liabilities as bank debt.

The Company has an $11,500,000 secured revolving production loan with a Canadian financial institution. The facility carries an interest rate of Prime plus 0.75%, resulting in an effective rate of 6.75% at June 30, 2007, is payable on demand and is subject to an annual review. The loan is secured by an interest in certain properties, a general assignment of book debts and a $20,000,000 first floating charge demand debenture. At June 30, 2007, $7,522,000 of the loan was outstanding (December 31, 2006 - $10,712,000).

4. Property, Plant and Equipment

At June 30, 2007, unproven property costs of $4,452,000 were excluded from the depletable cost base (2006 - $4,449,000). Administrative expenses of $499,000 related to exploration and development activities were capitalized as part of property, plant and equipment (2006 - $314,000).

For the calculation of depletion expense, estimated future costs to develop the proved reserves were added to property, plant and equipment. Future costs were $5,407,000 (2006 - $6,856,000).

5. Share Capital

Authorized

Unlimited number of Common Shares, no stated par value.

Voting rights

Common shares carry voting rights of one vote per share.

Issued

Common Shares	Number of Shares	Amount (thousands)
Total Shares Outstanding, December 31, 2006	63,847,919	$ 19,496
Tax effect of flow-through shares	-	(581)
Issued on exercise of options	88,300	33
Repurchased for cancellation	(7,000)	(5)
Total Shares Outstanding, June 30, 2007	63,929,219	$ 18,943

Contributed Surplus	Amount (thousands)
Balance, December 31, 2006	1,126
Option compensation for the period	144
Options exercised or cancelled in 2007	(9)
Balance, June 30, 2007	$ 1,261

Normal Course Issuer Bid

At June 30, 2007, Diaz was authorized to repurchase up to 3,092,000 Common Shares through the facilities of the Toronto Stock Exchange pursuant to a normal course issuer bid, which expires on September 10, 2007. Shares repurchased pursuant to the bid are cancelled. Diaz purchased 7,000 shares during the three month period ended June 30, 2007.

Earnings per share

The treasury stock method is used to determine the dilutive effect of stock options, warrants and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the dilution calculations. The diluted weighted average shares outstanding for June 30, 2007, does not include the conversion of the Convertible Debentures into 7,872,222 common shares as the conversion would be anti-dilutive. The anti-dilutive effect is caused because the increase in after tax earnings from the reduced interest payments on the Debentures is higher on a per share basis than the basic earnings (loss) per share.

Earnings per share	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Weighted average shares outstanding	63,897,614	62,517,933	63,878,392	61,811,305
Dilutive effect of stock options	578,030	1,526,135	657,500	1,526,135
Diluted weighted average shares outstanding	64,475,644	64,044,068	64,535,892	63,337,440

Stock Option Plan

As at June 30, 2007, there are a total of 3,985,000 options granted and outstanding under the stock option plan with a weighted average exercise price of $0.688 per share. A total of 3,566,800 options with a weighted average exercise price of $0.647 are exercisable at June 30, 2007.

	Three Months Ended June 30, 2007		Year Ended December 31, 2006	
Fixed Options	**Shares**	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
Outstanding, beginning of period	4,061,700	$ 0.681	3,463,333	$ 0.539
Granted	25,000	0.620	95,000	1.083
Exercised	(88,300)	0.370	(343,233)	0.355
Expired / cancelled	(13,400)	0.710	(8,401)	0.710
Outstanding, end of period	3,985,000	$ 0.688	4,061,700	$ 0.681
Options exercisable, end of period	3,566,800	$ 0.647	2,821,800	$ 0.590

The Company accounts for its stock based compensation plan using the fair value method whereby compensation costs have been recognized in the financial statements for share options granted to employees and directors. The impact on compensation costs of using the fair value method increased compensation costs for the six month period ended June 30, 2007 by $135,000 (2006 - $237,000).

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with assumptions as follows:

	Risk Free Interest Rate (%)	Expected Life (Years)	Expected Volatility	Dividends per Share
2005	3.23	4.0	0.62	n/a
2006	4.24	4.0	0.43	n/a
2007	4.24	4.0	0.43	n/a

25,000 new options were issued during the three month period ended June 30, 2007.

6. Convertible Debentures

In March 2007, the Company issued unsecured subordinated convertible debentures for gross proceeds of $7,085,000. The debentures will mature on March 26, 2012, unless earlier redeemed or converted. The principal amount of each debenture is convertible into common shares of Diaz at the option of the holder at any time prior to maturity at a conversion price of $0.90 per share.

The debentures are compound financial instruments and as such have been recorded as a liability and as equity. The residual valuation method was used to determine the equity portion of the debentures. Under this approach, the liability component was valued first, and the difference between the proceeds of the debentures and the fair value of the liability was assigned to the equity component. The present value of the liability was calculated using a discount rate of 12% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the debentures were issued.

(Thousands)	Six Months Ended June 30 2007	Year Ended December 31 2006
Convertible debenture	$ 7,085,000	$ -
Less issue costs	$ (589,000)	
Less equity component	(848,000)	-
Liability component of debenture before adjustments	$ 5,648,000	$ -
Adjustments - expensed to interest		
Accretion of liability	32,000	-
Issue costs	28,000	-
Liability component of debenture	$ 5,708,000	$ -

As of June 30, 2007, debenture issue costs of $589,000 were charged against the liability component of the debenture. These costs will be charged to interest expense over the five year life of the debenture using the effective interest rate method. Also, the liability component of the debenture will be accreted to the face value of the debenture over the five term with a resulting charge to interest expense.

7. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties:

(Thousands)	Six Months Ended June 30 2007	Year Ended December 31 2006
Asset Retirement Obligation, beginning of period	$ 2,596	$ 2,535
Liabilities incurred	20	41
Liabilities settled	-	(48)
Accretion expense	114	254
Change in estimate	-	(186)
Asset Retirement Obligation, end of period	$ 2,730	$ 2,596

The total undiscounted amount of estimated cash flows required to settle the obligation is $5,051,000, which has been discounted using an average credit-adjusted risk free rate of 9 percent. Most of these obligations are expected to be paid between 2007 and 2015.

8. Commitments

The Company has the following gas price contracts in place for future periods:

Fixed Price Volume	Fixed Price ($/Mcf)	Time Period for Contract
711 Mcfd	$7.81	July 1, 2007 - Oct 31, 2007
948 Mcfd	$8.04	July 1, 2007 - Oct 31, 2007
948 Mcfd	$8.99	Nov 1, 2007 - Mar 31, 2008

Costless Collar Volume	Floor Price ($/Mcf)	Ceiling Price ($/Mcf)	Time Period for Contract
711 Mcfd	$8.44	$10.34	Nov 1, 2007 - Mar 31, 2008

9. Segmented Information

The Company's only industry segment is the exploration for and development and production of oil and natural gas. The following table sets forth the geographical segments of the Company's operations between Canada and the United States.

	Three Months Ended June 30		Six Months Ended June 30	
(Thousands)	2007	2006	2007	2006
Revenue (net)				
Canada	$ 1,963	$ 2,191	$ 3,986	$ 5,171
United States	1,050	1,694	2,276	3,359
	$ 3,013	$ 3,885	$ 6,262	$ 8,530
Interest Expense				
Canada	$ 328	$ 166	$ 525	$ 298
United States	-	-	-	-
	$ 328	$ 166	$ 525	$ 298
Current Taxes				
Canada	$ 12	$ 1	$ 24	$ 7
United States	(23)	245	11	254
	$ (11)	$ 246	$ 35	$ 261
Cash Flow from Operations				
Canada	$ 728	$ 845	$ 1,350	$ 2,572
United States	813	1,354	1,747	2,946
	$ 1,541	$ 2,199	$ 3,097	$ 5,518
Depletion, Depreciation & Accretion				
Canada	$ 1,304	$ 1,373	$ 2,754	$ 2,763
United States	410	453	856	774
	$ 1,714	$ 1,826	$ 3,610	$ 3,537
Net Earnings (Loss)				
Canada	$ (513)	$ 520	$ (1,141)	$ 696
United States	25	833	375	1,664
	$ (488)	$ 1,353	$ (766)	$ 2,360
Additions to Property, Plant & Equipment				
Canada	$ 1,167	$ 980	$ 2,568	$ 3,794
United States	2,155	541	2,620	2,976
	$ 3,322	$ 1,521	$ 5,188	$ 6,770
Identifiable Assets, Net				
Canada	$ 46,664	$ 45,049	$ 46,664	$ 45,049
United States	13,839	10,843	13,839	10,843
	$ 60,503	$ 55,892	$ 60,503	$ 55,892

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Calgary, Alberta

(1) *Member of the Audit Committee*
(2) *Member of the Compensation Committee*
(3) *Member of the Corporate Governance Committee*

Officers

R.W. Lamond
President, Chairman of the Board & CEO

D.K. Clark
Vice President, Operations & COO

B.R. Perry
Chief Financial Officer

C.A. Teare
Executive Vice President

C.S. Cohen
Corporate Secretary

R.D. Arsenault
Controller

Subsidiaries

Diaz Resources, Inc.
Orbit Oil & Gas Inc.

Stock Exchange Listing

Toronto Stock Exchange
Trading Symbol: DZR

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta
Toronto, Ontario

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

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DIAZ RESOURCES LTD.