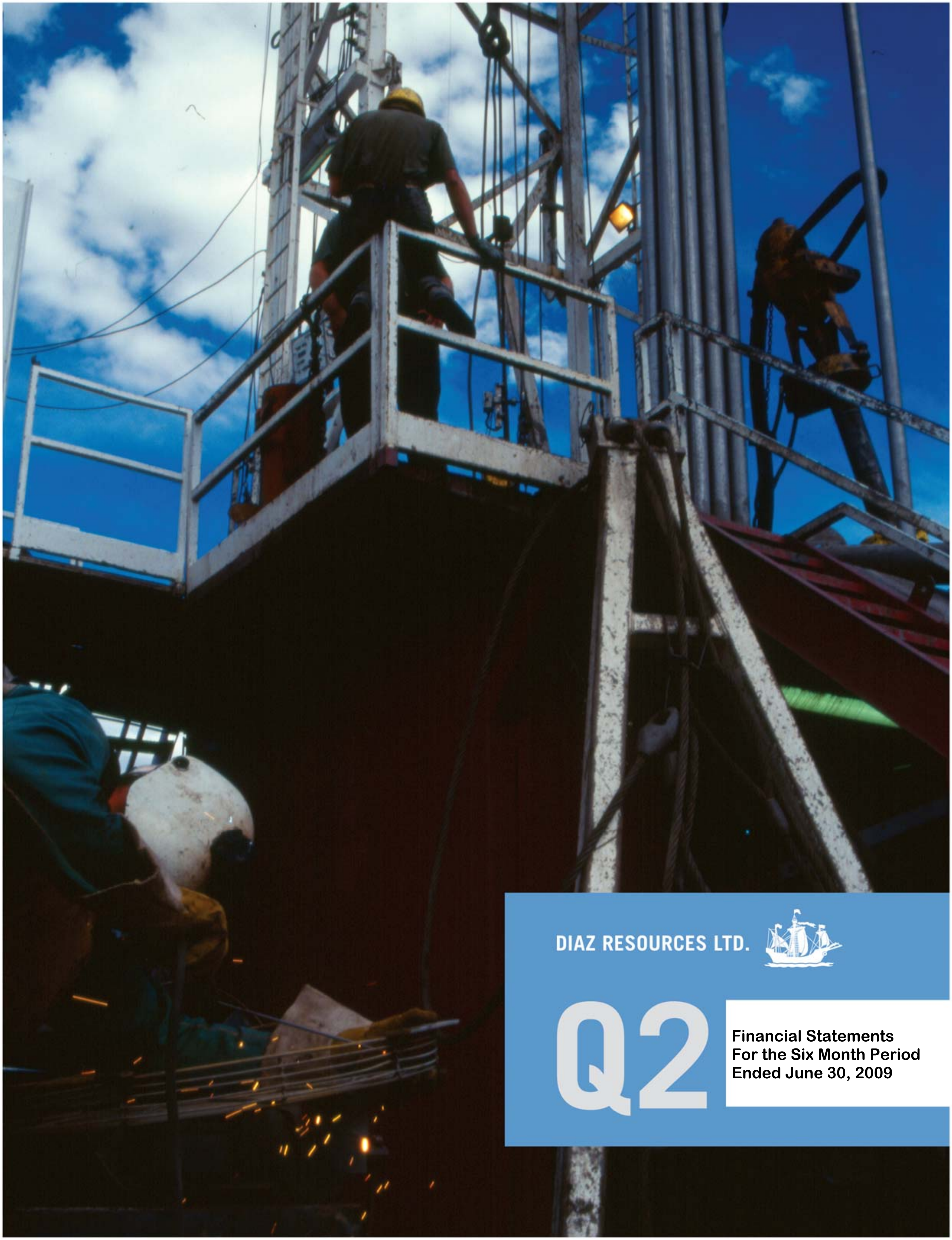

DIAZ RESOURCES LTD.

Q2

Financial Statements
For the Six Month Period
Ended June 30, 2009

Consolidated Balance Sheet

As at *($ Thousands, unaudited)*	June 30 2009	December 31 2008
ASSETS		
Current Assets		
Cash	**$ 56**	$ 544
Accounts receivable	**1,075**	2,750
Income tax receivable	**343**	359
Prepaid expense	**344**	378
	1,818	4,031
Property, plant and equipment (Note 5)	**106,614**	106,425
Accumulated depletion and depreciation	**(68,606)**	(53,695)
	38,008	52,730
Total Assets	**$ 39,826**	$ 56,761
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,843**	$ 4,337
Income tax payable	**-**	
Bank debt (Note 4)	**7,670**	8,143
	9,513	12,480
Other Liabilities		
Convertible debentures (Note 8)	**6,233**	6,094
Future income tax liability	**1,063**	5,379
Asset retirement obligation (Note 9)	**3,464**	3,323
Total Other Liabilities	**10,760**	14,796
	20,273	27,276
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**19,702**	19,702
Other equity (Note 8)	**847**	848
Contributed surplus	**1,483**	1,442
Accumulated other comprehensive income	**401**	-
Retained earnings (deficit)	**(2,880)**	7,493
	19,553	29,485
Total Liabilities and Shareholders' Equity	**$ 39,826**	$ 56,761

See Note 1 - Going Concern

Approved by the Board:

(Signed) *"R.W. Lamond"* Director

(Signed) *"C.A. Teare"* Director

Consolidated Statement of Operations & Retained Earnings (Deficit)

($ Thousands, except per share amounts, unaudited)	Three Months Ended June 30 2009	Three Months Ended June 30 2008	Six Months Ended June 30 2009	Six Months Ended June 30 2008
Revenue				
Production	**$ 1,844**	$ 5,564	**$ 4,397**	$ 9,397
Royalties	**(17)**	(1,148)	**(403)**	(1,848)
Interest and other income	**105**	160	**186**	197
	1,932	4,576	**4,180**	7,746
Expenses				
Operating and transportation	**935**	1,094	**1,876**	1,933
Overhead	**(55)**	398	**392**	785
Stock based compensation	**20**	12	**41**	24
Interest expense	**296**	371	**607**	734
Foreign exchange loss (gain)	**-**	(12)	**-**	51
Depletion, depreciation and accretion	**1,852**	2,280	**4,418**	4,235
Property, plant & equipment impairment (Note 5)	**-**	-	**11,408**	-
	3,048	4,143	**18,742**	7,762
Earnings (loss) before income tax	**(1,116)**	433	**(14,562)**	(16)
Income tax				
Current expense (recovery)	**4**	38	**8**	40
Future tax expense (recovery)	**(501)**	263	**(4,197)**	193
Total income tax	**(497)**	301	**(4,189)**	233
Net earnings (loss)	**(619)**	132	**(10,373)**	(249)
Retained earnings, beginning of period	**(2,261)**	11,199	**7,493**	11,580
Retained earnings (deficit), end of period	**$ (2,880)**	$ 11,331	**$ (2,880)**	$ 11,331
Loss per share, basic and diluted	**$ (0.01)**	**$ 0.00**	**$ (0.15)**	**$ 0.00**

Consolidated Statements of Comprehensive Loss and Accumulated Other Comprehensive Income (Loss)

($ Thousands, except per share amounts, unaudited)	Three Months Ended June 30 2009	2008	Six Months Ended June 30 2009	2008
Net earnings (loss)	$ (619)	$ 132	$ (10,373)	$ (249)
Other Comprehensive Income				
Unrealized gain (loss) on translation of consolidated financial statements into reporting currency	(689)	-	401	-
Comprehensive Income (Loss)	$ (1,308)	$ 132	$ (9,972)	$ (249)
Accumulated Other Comprehensive Income (Loss)				
Beginning of Period	1,090	-	$ -	$ -
Other Comprehensive Income	(689)	-	401	-
Acc. Other Comprehensive Income (Loss) - End of Period	$ 401	$ -	$ 401	$ -

Consolidated Statement of Cash Flows

($ Thousands, unaudited)	Three Months Ended June 30 2009	Three Months Ended June 30 2008	Six Months Ended June 30 2009	Six Months Ended June 30 2008
Cash provided by (used for):				
Operating Activities				
Earnings (Loss) for the period	**$ (619)**	$ 132	**$ (10,373)**	$ (249)
Non-cash items:				
Interest expense	**70**	64	**139**	128
Depreciation, depletion and accretion	**1,852**	2,280	**4,418**	4,235
Property, plant & equipment impairment	**-**	-	**11,408**	-
Stock based compensation	**20**	12	**41**	24
Future tax expense (recovery)	**(501)**	263	**(4,197)**	193
Foreign exchange loss (gain)	**-**	(12)	**-**	51
	822	2,739	**1,436**	4,382
Abandonments	**(9)**	(75)	**(9)**	(117)
Change in non-cash working capital	**194**	(574)	**1,383**	(397)
	1,007	2,090	**2,810**	3,868
Investing Activities				
Property, plant & equipment - additions	**(804)**	(1,753)	**(1,753)**	(4,232)
Property, plant & equipment - dispositions	**994**	18	**1,107**	18
Change in non-cash working capital	**(922)**	11	**(2,152)**	(819)
	(732)	(1,724)	**(2,798)**	(5,033)
Financing Activities				
Increase (decrease) in bank debt	**(425)**	(491)	**(473)**	1,070
Common Shares				
Share issue costs	**-**	-	**-**	(5)
Repurchased for cancellation	**-**	(3)	**-**	(5)
	(425)	(494)	**(473)**	1,060
Increase (decrease) in cash	**(150)**	(128)	**(461)**	(105)
Net effect of foreign exchange translations on cash flows	**(40)**	-	**(27)**	-
Cash, beginning of period	**246**	581	**544**	558
Cash, end of period	**$ 56**	$ 453	**$ 56**	$ 453
Supplementary information regarding cash payments:				
Interest paid during the period	**$ 379**	$ 150	**$ 468**	$ 295
Taxes paid during the period	**$ 4**	$ 9	**$ 8**	$ 26

Notes to the Consolidated Financial Statements (Unaudited)

For the six month period ended June 30, 2009

1. Going Concern

The Corporation's principal business activity is the exploration, development and operation of oil and natural gas properties in Canada and in the United States. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Corporation has reported net loss and comprehensive loss in seven of the last eight quarters and has had to book an impairment of its Canadian oil and gas properties of $2.7 million in Q4 2008 and $11.4 million in Q1 2009. The Corporation has also had negative working capital for successive years as the current accounts payable balance plus bank debt combine to be larger than the current assets on the balance sheet. However, during the same period, Diaz has had positive cashflows from operations in every quarter. Management's assessment of the Corporation, based on its current cash flow forecast and financial model, is that there is significant doubt as to whether it is a going concern because of the following factors:

a) Continued weak natural gas prices particularly will affect the ability of the Corporation to generate cash flows from its operations at satisfactory levels.

b) The current recession and resulting weak equity market may hamper the Corporation's ability to raise funds for its drilling programs.

Management's plan for addressing the above factors are as follows:

a) Operating cash flows are projected to be positive in the current oil and gas price environment but are not sufficient to support significant investment in the development of the Corporation's properties during the 2009 year. To mitigate the risk to operating cash flows, the Company has put in place fixed price gas contracts in Canada which allow the Company to maintain positive cash flows to a low of $3.50 Mcf for the remainder of the 2009 year and into 2010. Also, the Company has restricted capital projects for the 2009 year to closely match cashflows generated from operations.

b) In preparation for the return of new investment into the equity markets the Company has focused its efforts on building a strong foundation for the future upside potential of the Company. Diaz has been acquiring an expanded land base in Canada, focused on specific criteria, at reasonable prices, for repeatable exploration projects that can be activated once financing can be acquired or sufficient operating cashflows are achieved. In 2009, Diaz has acquired 9,611 acres (6,795 net acres) in Alberta and Saskatchewan. The Alberta lands were acquired to expand existing holdings at Big Bend. Diaz's primary exploration focus is in Saskatchewan where the Company now has acreage on prospective Viking, Shaunavon and Bird Bear oil plays.

There can be no assurance that the steps management is taking will be successful and any adjustments necessary to the financial statements if the Corporation ceases to be a going concern could be material.

2. Accounting Policies

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Diaz Resources, Inc. and Orbit Oil & Gas Inc.

The interim consolidated financial statements of Diaz Resources Ltd. 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 for this interim report. The reader should refer to the annual consolidated financial statements of Diaz at December 31, 2008

3. Change in Accounting Policies

Foreign Currency Translation

Effective January 1, 2009, the Company adopted the current rate method for foreign currency translation. Under this method, all balance sheet items are converted at the period end exchange rate and income statement transactions are translated at an average rate for the period. Gains or losses arising from translation are charged to the statement of comprehensive income. Previously, the Company used the temporal method of translation whereby gains and losses on foreign currency translation were charged to the income statement.

Future Accounting Standards - International Financial Reporting Standards (IFRS)

During 2008, the CICA Accounting Standards Board ("ACSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and operations.

The International Accounting Standards Board has issued an exposure draft relating to certain amendments and exemptions to IFRS 1 in order to make it more useful to Canadian entities adopting IFRS for the first time. One such exemption relating to full cost accounting is expected to reduce the administrative burden in the transition from current Canadian Accounting Guideline 16 to IFRS. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. The amendment will potentially permit the Company to apply IFRS prospectively to their full cost pool, rather than the retrospective assessment of capitalized exploration and development expenses, with the requirement that an impairment test, under IFRS standards be carried out at the transition date.

To date, the CFO, the primary sponsor for the project, has prepared a summary level changeover plan for IFRS conversion that has been presented to the Audit Committee of the Board of Directors. Hallmarks of the change over plan include, initial definition of the tasks required for conversion, a timeline for the completion of the tasks, an estimate of the effort and duration associated with the conversion, prioritization of tasks, and the assignment of key personnel within the organization.

4. Bank Debt

All credit facilities that are revolving in nature must be disclosed as liabilities. 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.

At June 30, 2009, the Company had a $8.0 million revolving production loan with a Canadian financial institution. The revolving production loan has been renewed as of July 23, 2009. The next review is scheduled to be completed prior to April 30, 2010. The loan continues as three distinct parts totalling $8.0 million as follows:

Part 1, revolving: $6.25 million, prime plus 2.00%;

Part 2, revolving: $0.75 million, prime plus 3.25%;

Part 3, non-revolving: $1.00 million, prime plus 5.00%, principal due October 31, 2009.

At June 30, 2009, $7,670,000 of the loan was outstanding (December 31, 2008 - $8,143,000).

5. Property, Plant and Equipment

At June 30, 2009, unproven property costs of $1,326,000 were excluded from the depletable cost base (Q2 2008 - $799,000). Unproved property costs are tested for impairment separately from those costs subject to depletion whereby the carrying value of the property must be less than or equal to the current market value.

For the six month period ended June 30, 2009, administrative expenses of $799,000 related to exploration and development activities were capitalized as part of property, plant and equipment (2008 - $500,000).

For the calculation of depletion expense, estimated future costs to develop the proved reserves were added to property, plant and equipment. At June 30, 2009, future costs were $6,551,000 (2008 - $4,106,000).

The Company based its estimates on the future price quotes for U.S. gas at Nymex, adjusted for heat content and basis differential and for Canadian gas at the AECO price to the end of 2011 and held constant thereafter. Oil prices used were WTI for U.S. properties and Edmonton Light for Canadian properties, both adjusted for quality differentials.

Price Estimates Used for Ceiling Test

	Nymex ($U.S./Mcf)	AECO ($Cdn/Mcf)	Edmonton Light ($Cdn/Bbl)	WTI ($U.S./Bbl)
2009	4.49	4.23	84.83	73.39
2010	6.16	6.16	88.26	76.60
2011	6.96	6.93	91.38	79.56
2012	6.96	6.93	91.38	79.56
2013	6.96	6.93	91.38	79.56
2014	6.96	6.93	91.38	79.56

Prices are held constant therafter

The Company reviewed the carrying value of the Canadian and U.S. oil and gas properties for potential impairment. Impairment is indicated if the carrying value of the long-lived asset or oil and gas cost center is not recoverable from the future undiscounted cash flows. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long-lived asset is charged to earnings. There was no impairment required for the three months ended June 30, 2009.

6. 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

	Number of Shares		Amount (thousands)
Common Shares			
Balance, March 31, 2009 and June 30, 2009	67,177,752	$	19,702

		Amount (thousands)
Contributed Surplus		
Balance, December 31, 2008	$	1,442
Option compensation for the period		41
Balance, June 30, 2009	$	1,483

Normal Course Issuer Bid

During the six months ended June 30, 2009, Diaz did not repurchase any of its Common Shares.

Diaz is authorized to repurchase up to 670,000 Common Shares through the facilities of the Toronto Stock Exchange pursuant to a normal course issuer bid, which expires on September 25, 2009. Shares repurchased pursuant to the bid are cancelled.

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, 2009, 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.

Basic earnings (loss) per share are calculated by dividing the weighted average number of the aggregate outstanding shares during the period into net earnings (loss) attributable to the shareholders.

Diluted earnings per share are calculated by dividing the diluted weighted average number of aggregate outstanding shares during the period in the net earnings for the period. Diluted loss per share is calculated by dividing the basic weighted average aggregate outstanding shares into the loss for the period as using the diluted weighted average shares would be anti-dilutive. Stock options are not shown to be dilutive in the 2009 three and six month periods as they were all out-of-the-money compared with the average stock prices during those periods.

Shares Outstanding	Three Months Ended June 30 2009	2008	Six Months Ended June 30 2009	2008
Weighted average shares outstanding	67,177,752	67,228,758	67,177,752	67,231,059
Dilutive effect of stock options	-	-	-	-
Diluted weighted average shares outstanding	67,177,752	67,228,758	67,177,752	67,231,059

Stock Option Plan

The Corporation's Stock Option Plan permits the granting of options to purchase Common Shares to officers, directors, employees and other persons who provide ongoing management or consulting services to the Corporation and its subsidiaries. The Stock Option Plan currently limits the number of Common Shares that may be issued on exercise of Options to 10% of the number of outstanding Common Shares from time to time. Any increase in the issued and outstanding Common Shares will result in an increase in the available number of Common Shares issuable under the Stock Option Plan. Additionally, any exercise of options will make new grants available under the Stock Option Plan.

Options granted pursuant to the Stock Option Plan have a term not to exceed five years and vest as follows:

1/3 on grant date
1/3 on first anniversary of grant date
1/3 on second anniversary of grant date

As at June 30, 2009, there are a total of 4,857,500 options granted and outstanding under the stock option plan with a weighted average exercise price of $0.4146 per share. A total of 3,175,817 options with a weighted average exercise price of $0.5017 are exercisable at June 30, 2009.

Fixed Options	Six Months Ended June 30, 2009 Shares	Weighted Average Exercise Price	2008 Shares	Weighted Average Exercise Price
Outstanding, beginning of period	**4,857,500**	**$ 0.4146**	3,575,000	$ 0.6450
Granted	**-**	**$ -**	2,497,500	$ 0.2500
Exercised	**-**	**$ -**	-	$ -
Expired	**-**	**$ -**	(1,075,000)	$ 0.3100
Cancelled	**-**	**$ -**	(140,000)	$ 0.7079
Outstanding, end of period	**4,857,500**	**$ 0.4150**	4,857,500	$ 0.4146
Options exercisable, end of period	**3,175,817**	**$ 0.5017**	3,175,817	$ 0.5017

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 months ended June 30, 2009, by $41,000 (2008 - $24,000).

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	WA Future Value per Option
2006	4.24	4.0	0.43	0.5212
2007	4.28	4.0	0.61	0.2027
2008	3.40	4.5	0.53	0.1182

No options have been issued in 2009.

7. Capital Disclosures

Diaz's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by investing in oil and gas activities commensurate with the level of risk management deems acceptable.

Diaz sets the level of capital in proportion to its risk of achieving sufficient annualized operating cashflows to maintain its net current debt repayability ratio to less than twenty-four months repayability. The Company makes adjustments to capital in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure Diaz may issue new shares, sell assets or increase its debt.

The ratio of net current debt to annualized cashflow from operations is the primary ratio of capital that Diaz uses. Net current debt repayability is a calculation to determine the number of months required to repay net current debt from current cashflow from operations. The ratio is calculated as follows:

Net Current Debt Repayability *(Thousands, except for months)*	**Six Months Ended June 30** **2009**	2008
Current liabilities	**$ 9,513**	$ 12,745
Less Current assets	**1,818**	$ 4,264
Net current debt	**7,695**	8,481
Convertible Debentures	**6,233**	5,961
Net debt	**13,928**	14,442
Annualized Cashflow from Operations	**3,288**	8,764
Months estimated to repay net current debt	**28.08**	11.61
Months estimated to repay net debt	**50.83**	19.77

The increase in net current debt repayability for the six month period ended June 30, 2009, compared with 2008 resulted from the sharp decline in realized oil and natural gas prices during the period. The resulting 2009 ratio is unacceptably high and management is taking steps to reduce the debt side of the equation.

The Company's $8.0 million credit facility imposes a similar capital restriction on the net current debt to annualized cashflows ration except that the required ratio must be less than thirty-six months repayability.

8. Convertible Debentures

In March 2007, the Company issued unsecured subordinated convertible debentures for gross proceeds of $7,085,000. 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 2009	Year Ended December 31 2008
Liability component of debenture before adjustments	**6,094**	5,832
Adjustments - expensed to interest		
Accretion of liability	**80**	147
Issue costs	**59**	115
Liability component of debenture	**$ 6,233**	$ 6,094

As of June 30, 2009, debenture issue costs of $590,000 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 terms with a resulting charge to interest expense.

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 Corporation may, at its option, elect to satisfy its obligation to pay all or any portion of the principal amount by issuing and delivering to holders on the maturity date that number of Common Shares obtained by dividing the $0.90 per share redemption price by 95% of the current trading price of a Common Share.

9. *Asset Retirement Obligation*

The Company recognizes the fair value of an Asset Retirement Obligation ("ARO") as a liability in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated ARO is capitalized as part of the net capitalized asset base and the depletion of the capitalized asset retirement cost is determined on a basis consistent with depletion of the Company's other assets. With time, accretion will increase the carrying amount of the obligation. Accretion is expensed.

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 2009	Year Ended December 31 2008
Asset Retirement Obligation, beginning of period	**$ 3,323**	$ 3,069
Liabilities incurred	**-**	26
Liabilities settled	**-**	(51)
Accretion expense	**144**	264
Foreign exchange difference	**(3)**	15
Asset Retirement Obligation, end of period	**$ 3,464**	$ 3,323

The total undiscounted amount of estimated cash flows required to settle the obligation is $5,056,000 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 2010 and 2015.

10. Commitments

The Company has committed to future minimum payments under an operating base lease covering office facilities as follows:

Period ended June 30,	Amount (Thousands)
2009	108
2010	180
	$ 288

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

Fixed Price Volume	Fixed Price ($/Mcf)	Time Period for Contract
475 Mcfd	5.06	July 1, 2009 - Oct 31, 2009
475 Mcfd	4.85	July 1, 2009 - Dec 31, 2009
950 Mcfd	6.36	Nov 1, 2009 - Mar 31, 2010

11. Financial Instruments

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 amortized cost using the effective interest method. Accounts payable are designated as “other financial liabilities” and are carried at amortized cost using the effective interest method.

The Company’s financial instruments that are included in the balance sheet are comprised of cash, accounts receivable and all current liabilities.

Fair values of financial assets and liabilities

The fair values of financial instruments that are included in the balance sheet approximate their carrying amount due to the short-term maturity of those instruments.

Credit risk

A substantial portion of the Company’s accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. The maximum exposure to credit risk is approximately $223,000 which represents accounts receivable balances in excess of 90 days. The Company has not impaired these amounts as they are partially offset by related accounts payable balances and are expected to be recovered.

Interest rate risk

The Company is exposed to risks from interest rate fluctuation on its bank loan which is based on Prime rates. Interest rate risk is specific to the interest expense charged to income on the Company's bank debt. The Company believes a 25% volatility is a reasonable measure when assessing the potential impact of a change in interest rate. Variations in interest rates on the Company's bank debt could have resulted in gains (losses) impacting net earnings as at June 30, 2009, as follows:

($ Thousands)	Favourable 25% Change	Unfavourable 25% Change
Interest rate	$ 117	$ (117)

Liquidity risk

The Company is exposed to liquidity risk from the possibility that it will encounter difficulty meeting its financial obligations. The Company manages this risk by forecasting cash flows in an effort to match operating cash flow to future expenditures and to arrange financing, if necessary. It may take many years and substantial cash expenditures to pursue exploration and development activities on all of the Company's existing undeveloped properties. Accordingly, the Company may need to raise additional funds from outside sources in order to explore and develop its properties. There is no assurance that adequate funds from debt and equity markets will be available to the Company in a timely manner.

Foreign currency exchange risk

The Company is exposed to fluctuations in foreign currency exchange rates as many of the Company's financial instruments are denominated in United States dollars while the functional currency of the Company is Canadian dollars. As a result, fluctuations in the United States dollar against the Canadian dollar could result in unanticipated fluctuations in the Company's financial results which are denominated in Canadian dollars.

The Company's exposure to foreign currency exchange risk at June 30, 2009, can be summarized as follows:

	Balance Sheet	Canada	USA
($ Thousands)	**Total**	Cdn $ Equivalent	
Cash and cash equivalents	**56**	-	56
Accounts receivable	**1,075**	875	200
Accounts payable	**(1,843)**	(1,424)	(419)
Total	**(712)**	(549)	(163)

Commodity price risk

Inherent to the Company's business of producing petroleum and natural gas is the commodity price risk where fluctuations in the market price of petroleum and natural gas could significantly impact the Company's ability to generate cash flow from operating activities. The Company believes a 10% volatility is a reasonable measure when assessing the potential impact of commodity price changes on natural gas and oil prices. Variations in commodity prices could have resulted in gains (losses) impacting net earnings as at June 30, 2009, as follows:

($ Thousands)	Favourable 10% Change	Unfavourable 10% Change
Natural gas price	$ 347	$ (347)
Crude oil price	$ 92	$ (92)

12. Related Party Transactions

Diaz and Sharon Energy Ltd. ("Sharon") have certain common officers and directors. In addition, at June 30, 2009, Humboldt Capital Corporation and its directors and officers owned approximately 27% of the outstanding shares of Sharon and approximately 35% of Diaz.

At June 30, 2009, Sharon owed Diaz $111,000 (2008 – Diaz owed Sharon $443,000) through the normal course of business.

For the six month period ended June 30, 2009, Diaz provided certain overhead services to Humboldt, which Humboldt reimbursed Diaz for in the amount of $144,000 (2008 - $144,000).

13. 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.

($ Thousands)	Three Months Ended June 30 2009	Three Months Ended June 30 2008	Six Months Ended June 30 2009	Six Months Ended June 30 2008
Revenue (net)				
Canada	**$ 1,618**	$ 3,278	**3,507**	$ 5,566
United States	**314**	1,298	**673**	2,180
	$ 1,932	$ 4,576	**$ 4,180**	$ 7,746
Interest Expense				
Canada	**$ 296**	$ 371	**$ 607**	$ 734
United States	**-**	-	**-**	-
	$ 296	$ 371	**$ 607**	$ 734
Current Taxes				
Canada	**$ 4**	$ 7	**$ 5**	$ 9
United States	**-**	31	**3**	31
	$ 4	$ 38	**$ 8**	$ 40
Cash Flow from Operations				
Canada	**$ 608**	$ 1,617	**$ 998**	$ 2,529
United States	**214**	1,122	**438**	1,853
	$ 822	$ 2,739	**$ 1,436**	$ 4,382
Depletion, Depreciation & Accretion				
Canada	**$ 1,153**	$ 1,617	**$ 2,760**	$ 2,970
United States	**699**	663	**1,658**	1,265
	$ 1,852	$ 2,280	**$ 4,418**	$ 4,235
Net Loss				
Canada	**$ (257)**	$ (188)	**$ (9,538)**	$ (581)
United States	**(361)**	320	**(834)**	332
	$ (618)	$ 132	**$ (10,372)**	$ (249)
Additions to Property, Plant & Equipment				
Canada	**$ 434**	$ 1,157	**$ 1,348**	$ 2,671
United States	**370**	596	**405**	1,561
	$ 804	$ 1,753	**$ 1,753**	$ 4,232
Identifiable Assets, Net				
Canada	**$ 29,011**	$ 48,223	**$ 29,011**	$ 48,223
United States	**10,815**	12,891	**10,815**	12,891
	$ 39,826	$ 61,114	**$ 39,826**	$ 61,114

CORPORATE INFORMATION

Directors

Robert W. Lamond
Calgary, Alberta

Charles A. Teare
Calgary, Alberta

Donald K. Clark
Calgary, Alberta

Clive M. Stockdale (1)(2)
Vancouver, British Columbia

Raj Agrawal (1)
Calgary, Alberta

John G.F. McLeod (2)
Okotoks, Alberta

Robert L. McPherson (1)(3)
Calgary, Alberta

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

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta
Toronto, Ontario

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.

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Trading Symbol: DZR

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