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## **DIAZ ANNOUNCES YEAR END RESULTS AND RESERVES SUMMARY**

**Diaz Resources Ltd. (TSX: DZR)** announces that it has filed its 2009 MD&A, Financial Statements, and Annual Information Form (“AIF”).

2009 was a difficult year for Diaz and gas-weighted junior oil and gas companies generally. The North American economy moved into recession during the second half of 2008 and 2009 and had two significant effects on the Company. They were:

- A drop in natural gas consumption, particularly in the US, leading to an over supply and downward pressure on natural gas prices, and
- A tightening of capital markets available to the Company to raise additional investment funds.

In addition, a number of the Company’s US natural gas wells declined, at higher than anticipated rates.

As a result, Diaz revenues were significantly reduced and operating cash flows available for reinvestment were greatly reduced compared with prior years.

Diaz anticipated that 2009 would be a challenging year and the management worked to ensure that the Company came through the year successfully. Hence, Diaz focused on the reduction of balance sheet leverage, put in place fixed gas price contracts for half of the Company’s 2009 gas production, and refocused the Company’s exploration and development activities on heavy oil projects.

The results of these efforts were:

- Asset dispositions - \$4.4 million was raised from the sale of properties in Canada and in the United States,
- Financing – the Company closed a financing, raising \$926,000 at the end of 2009,
- 2009 Fixed Gas Price Contracts – Diaz received approximately \$925,000 in additional revenue from fixed gas price contracts during 2009,
- Oil Development – Diaz commenced a heavy oil development program in the Lloydminster area, participating in the successful drilling of three wells during Q4 2009
- Heavy Oil Exploration – the Company acquired prospective acreage on a number of oil development projects in Alberta and Saskatchewan.



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As a result of the above actions, Diaz reduced its net current bank debt from \$8.5 million in January 2009 to approximately \$5.8 million at the end of the year. The Company plans to continue to rationalize non-core assets with the sale of its remaining U.S. producing assets, which, being principally natural gas, will be marketed when natural gas prices recover to what management regards as an acceptable level.

With the improvement in the financial condition of the Company, available capital was redirected into its heavy oil exploration and development activity in East Central Alberta and West Central Saskatchewan.

## **Financial**

Revenue for 2009 decreased to \$7.0 million compared with \$15.1 million for the prior year. Cash flow from operations for 2009 decreased to \$1.9 million or \$0.03 per share compared with \$7.7 million or \$0.12 per share for the prior year. Diaz reported a loss for 2009 of \$14.3 million or (\$0.21) per share versus a loss of \$4.1 million or (\$0.06) per share in the prior year, as it took an impairment write down against its oil and gas assets of \$11.4 million during Q1 2009.

Capital expenditures for 2009, totalled \$4.4 million compared with \$7.8 million in the prior year. Capital expenditures and debt retirement were financed from cash flow from operations and the sale of two oil and gas properties.

At December 31, 2009, Diaz had net current debt of \$5.8 million versus \$8.5 million at the beginning of the year. Diaz also had convertible debentures outstanding of \$7.1 million (face value) that mature on March 26, 2012.

## **Production**

The Company's total production for the year ended December 31, 2009, decreased 28% to 642 BOEd compared with the prior year average of 886 BOEd. For the fourth quarter, total production declined 39% to 532 BOEd compared with 871 BOEd in Q4 2008.

In Canada, production for the year decreased 21% as a result of the sale of production from the Carmangay (Q1) and Parkman (Q4) fields and a significant drop in production from the Leahurst and Big Bend fields. In the U.S., production rates for the year fell by 45% as mature well production declines combined with the abandonment of the Black Owl field.

## **Reserves and Reserves Values**

The independent engineering evaluation of Diaz's properties assigned proved reserves, before royalties, of 1.6 million BOE and total reserves, before royalties, of 3.8 million BOE at December 31, 2009. These reserve estimates result in a before tax present value of estimated future net revenues, discounted at 10%, of \$52.4 million.



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## **Exploration and Development**

Due to the drop in natural gas prices during the fall of 2008, Diaz changed its exploration focus exclusively to oil prospects. During 2009, Diaz acquired 18,707 acres (14,048 net acres) in Alberta and Saskatchewan resulting in a substantial portfolio of development projects on the Lloydminster oil play in Alberta as well as the Shaunavan, Bird Bear, and Viking oil plays in Saskatchewan.

During Q4 2009, Diaz drilled three Lloydminster heavy oil horizontal wells which are now on production. Subsequent to year end Diaz participated in drilling three additional horizontal on the same prospect at Lloydminster, Alberta and anticipates placing them on production early in the second quarter of 2010.

## **Business Outlook**

The Company anticipates steady growth in the North American economy during 2010.

As a result oil prices should continue to firm as industrial activity recovers. Due to current high natural gas storage levels and significant volumes of gas being developed on North American shale gas projects there is still considerable uncertainty as to when natural gas prices will recover to satisfactory levels. To mitigate the uncertainty in natural gas prices, Diaz has put in place fixed gas price contracts for approximately half of the Company's anticipated 2010 gas production, at prices in excess of \$5.75 per Mcf. Diaz has also closed an equity financing raising approximately \$1,263,500 net of commissions to fund its ongoing Lloydminster heavy oil development drilling program.

Due to this potential ongoing weakness in the gas sector Diaz will continue to direct its efforts towards heavy oil development during 2010. The Company will continue to focus on its Lloydminster heavy oil development program and if results are successful Diaz would exit 2010 with almost half of its production derived from oil sales.



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SUMMARY OF OIL AND GAS RESERVES  
AND NET PRESENT VALUES OF FUTURE NET REVENUE  
AS OF DECEMBER 31, 2009  
FORECAST PRICES AND COSTS

<b><u>COMPANY TOTAL</u></b>	RESERVES								RESERVES	RESERVES
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS		TOTAL	TOTAL
	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MMcf)	Net (MMcf)	Gross (MBbl)	Net (MBbl)	Gross (MBOE)	Net (MBOE)
<b>PROVED</b>										
Developed Producing	33	25	46	49	3,173	2,701	22	14	630	538
Developed Non-producing	7	6	27	22	1,425	1,175	6	5	278	229
Undeveloped	-	-	200	185	-	2,199	32	21	650	573
<b>TOTAL PROVED</b>	<b>40</b>	<b>31</b>	<b>273</b>	<b>256</b>	<b>7,103</b>	<b>6,075</b>	<b>60</b>	<b>40</b>	<b>1,558</b>	<b>1,340</b>
<b>PROBABLE</b>	<b>37</b>	<b>29</b>	<b>617</b>	<b>535</b>	<b>9,594</b>	<b>7,623</b>	<b>31</b>	<b>20</b>	<b>2,283</b>	<b>1,854</b>
<b>TOTAL PROVED PLUS PROBABLE</b>	<b>77</b>	<b>60</b>	<b>890</b>	<b>791</b>	<b>16,697</b>	<b>13,698</b>	<b>91</b>	<b>60</b>	<b>3,841</b>	<b>3,194</b>

<b><u>COMPANY TOTAL</u></b>	NET PRESENT VALUES OF FUTURE NET REVENUE									
	BEFORE INCOME TAXES					AFTER INCOME TAXES				
	DISCOUNTED AT (% per year)									
RESERVES CATEGORY	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)
<b>PROVED</b>										
Developed Producing	13.5	11.8	10.5	9.6	8.8	13.2	11.5	10.3	9.4	8.7
Developed Non-producing	6.8	5.1	4.1	3.3	2.7	6.6	5.0	4.0	3.2	2.6
Undeveloped	14.6	10.4	7.8	-	4.7	13.9	10.1	7.6	5.9	4.6
<b>TOTAL PROVED</b>	<b>34.9</b>	<b>27.3</b>	<b>22.4</b>	<b>18.9</b>	<b>16.2</b>	<b>33.7</b>	<b>26.6</b>	<b>21.9</b>	<b>18.5</b>	<b>15.9</b>
<b>PROBABLE</b>	<b>60.5</b>	<b>41.8</b>	<b>30.0</b>	<b>22.1</b>	<b>16.7</b>	<b>44.7</b>	<b>30.8</b>	<b>22.0</b>	<b>16.2</b>	<b>12.2</b>
<b>TOTAL PROVED PLUS PROBABLE</b>	<b>95.4</b>	<b>69.1</b>	<b>52.4</b>	<b>41.0</b>	<b>32.9</b>	<b>78.4</b>	<b>57.4</b>	<b>43.9</b>	<b>34.7</b>	<b>28.1</b>

Further information regarding financial and operating results may be obtained at [www.sedar.com](http://www.sedar.com), where the Company's MD&A and financial statements have been filed.

Dias has also filed its Annual Information Form which includes the Company's reserves data and other oil and gas information for the year ended December 31, 2009, as mandated by National Instrument 51-101



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Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators. Copies of Diaz's AIF may be obtained at [www.sedar.com](http://www.sedar.com).

## Summary of Operations

<i>(Thousands, except per share amounts)</i>	Years Ended December 31	
	2009	2008
<b>Financial</b>		
Revenue	\$ 6,973	\$ 15,099
Cash flow from operations	1,881	7,737
per share, diluted	0.03	0.12
Loss for the period	(14,355)	(4,087)
per share, diluted	(0.21)	(0.06)
Capital additions	4,415	7,778
Dispositions	4,407	74
Net capital additions	8	7,704
Net current debt	5,844	8,449
Convertible debentures*	6,377	6,094
Total assets	36,657	56,761
Total shares outstanding at period end	76,576,752	67,177,752
<b>Operations</b>		
Production		
Gas (MMcfd)	3.3	4.5
Oil (Bopd)	97	140
BOEd (6 Mcf = 1 Bbl)	642	886
Product Prices		
Gas (\$/Mcf)	\$4.72	\$8.32
Oil (\$/Bbl)	\$54.51	\$86.08
Reserves (proved plus probable, future costs and prices)		
Gas (Bcf)	16.7	20.2
Oil (MBbl)	1,058.0	227.0
BOE (Millions)	3.8	3.7
Net present value of future net revenue, before tax discounted at 10% **	\$ 52.4	\$ 59.4
Undeveloped land holdings (net acres)		
Canada	54,409	50,108
United States	446	4,321
Total net acreage	54,855	54,429

\* Convertible debentures have a face value of \$7.1 million and mature on March 26, 2012. See Note 7, "Convertible Debentures", in the notes to the financial statements for the year ended December 31, 2009.

\*\* Net present value of future net revenue may not represent fair market value of reserves.



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*Diaz is an oil and gas exploration and production company based in Calgary, Alberta. Diaz's current focus is on oil development and exploration in Alberta and Saskatchewan.*

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*ADVISORY: This press release contains forward looking statements. Although Diaz believes that the expectations reflected in these forward looking statements are reasonable, undue reliance should not be placed on them because Diaz can give no assurance that they will prove to be correct. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties.*

*The forward looking statements contained in this press release are made as of the date hereof and Diaz undertakes no obligations to update publicly or revise any forward looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

*Where amounts are expressed on a barrel of oil equivalent (boe) basis, natural gas volumes have been converted to barrels of oil at six thousand cubic feet (mcf) per barrel (bbl). Boe figures may be misleading, particularly if used in isolation. A boe conversion of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids (NGLs).*

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