



DIAZ RESOURCES LTD.

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The following is for immediate release in Canada, Tuesday, April 20, 2004.

DIAZ REPORTS SUBSTANTIALLY IMPROVED 2003 FINANCIAL AND OPERATING RESULTS AND INCREASES PRODUCTION TO CURRENT LEVEL OF 1,400 BOED

Financial and Operating

Diaz Resources Ltd. today reported substantially improved financial results for the year ended December 31, 2003 compared with the prior year. Cyclically high commodity prices throughout 2003 resulted in significantly increased operating results for the year.

Revenue for the year ended December 31, 2003 totaled \$9.9 million compared with \$7.2 million one year earlier. Cash flow for the year increased to \$5.8 million, or \$0.12 per share compared with \$3.5 million, or \$0.08 per share in 2002. Diaz reported earnings for the year of \$2.1 million compared with earnings of \$153,000 in 2002.

Higher cash flows and the proceeds from two equity financings during the year allowed Diaz to raise its capital budget and to reduce its debt levels during 2003.

The Company's most exciting exploration successes were in the deep Wilcox gas trend in Texas, where Diaz drilled three new gas wells on seismically defined Wilcox structures. Although the initial production rates from lower zones in the wells have not been as positive as anticipated, an analysis of the down hole logs indicate that the gas zones, higher in the well bores, will be more productive.

Additionally, during 2003, the Provident City well on the Wilcox trend was re-completed in an upper zone and commenced production at 12.4 MMcfd. The well has produced 3.2 Bcf to the end of Q1 2004 and is currently producing at 10.3 MMcfd. Diaz has a 13% interest in the well.

With this success, U.S. exploration activity should continue to play a significant role in the Company's future development.

In Canada, exploitation of the Company's southern Alberta shallow gas properties with infill drilling at Retlaw, Enchant and Carmangay, together with exploration and development drilling in east-central Alberta, resulted in 16 new gas wells being placed on stream in 2003 and 10 new wells placed on stream, early in 2004.

Delays in the construction of certain third party operated natural gas production facilities pushed anticipated production increments into 2004 and reduced the Company's exit production. However, with new wells tied-in subsequent to year end, Diaz has increased its production level to approximately 1,400 BOED.

The Company's capital additions totaled \$8.5 million during 2003 compared with \$5.9 million in 2002. Capital expenditures were financed from \$5.8 million of cash flow, \$1.8 million from the issue of new shares and \$0.9 million from the disposition of assets.

By controlling costs and expenditures and raising capital through property sales and equity issues, Diaz ended 2003 with a net debt of \$7.1 million compared with \$9.9 million at the beginning of the year. Debt repayability out of cash flow from operations was reduced to an acceptable 1.2 times for 2003, from 2.9 times for 2002.

In October 2003, Diaz issued 9.8 million Class A shares for an aggregate consideration of \$4.0 million and in December 2003, Diaz issued a further 1.6 million Class A shares for an aggregate consideration of \$1.3 million. The December shares were issued on a flow-through share basis and requires the Company to renounce exploration costs to the purchases.

<i>(Thousands, except per share amounts)</i>	Years Ended December 31	
	2003	2002
Financial		
Total revenue	\$ 9,858	\$ 7,213
Cash flow from operations	\$ 5,766	\$ 3,465
per share, diluted	\$ 0.12	\$ 0.08
Net earnings for the year	\$ 2,101	\$ 153
per share, diluted	\$ 0.04	\$ 0.00
Property, plant and equipment		
Additions	\$ 8,523	\$ 5,929
Dispositions	\$ 921	\$ 1,014
Net debt	\$ 7,100	\$ 9,914
Total assets	\$ 38,119	\$ 32,172
Total shares outstanding		
Weighted average	47,863	42,150
At year end	57,277	46,086
Operations		
Production		
Gas (MMcfd)	4.9	4.9
Oil (Bopd)	86	142
BOEd (6Mcf = 1Bbl)	904	952
Product Prices		
Gas (\$/Mcf)	\$ 5.87	\$ 3.88
Oil (\$/Bbl)	\$ 44.64	\$ 35.39
Reserves (proved plus probable, future costs and prices)		
Gas (Bcf)	25.1	20.7
Oil (MBbl)	282.0	261.0
BOE (millions)	4.5	3.7
Present value, before tax (\$millions at 10%)	\$ 40.9	\$ 42.7
Undeveloped land holdings (net acres)		
Canada		
Alberta	95,630	93,488
Saskatchewan	6,686	10,295
United States	2,608	2,443
Total	104,924	106,226
Average working interest in acreage	48%	48%

Oil and Gas Reserves and Reserve Values

Diaz's petroleum and natural gas reserves were evaluated by independent engineering consultants, AJM Petroleum Consultants ("AJM"), effective December 31, 2003 and a summary of certain aspects of their report follows. The AJM report was prepared in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

It should be noted that estimates of future net revenues either discounted or presented after tax do not represent fair market value of the reserves. The estimates of reserves and future net revenues for individual properties may not reflect the same confidence level as estimates of reserves and future net revenues for the Company.

Effective December 31, 2003, Canadian oil and gas companies are required to have their oil and gas properties evaluated and reported upon in accordance with NI 51-101. The definitions of proved and probable reserves mandated by NI 51-101 and utilized in the AJM report are different from the definitions previously required under National Policy Statement 2-B, pursuant to which the Corporation's reserves were previously evaluated.

This policy sets standards for reserve recognition which in some respects are significantly higher than those used by evaluators in the past. The standard implies a 90% confidence rate that actual proved reserves will be equal or greater than the estimate and a 50% confidence rate that the proved and probable reserves will be equal or greater than the estimate. Given the inherent difficulties in estimating reserves and the limited amount of information available for newly drilled or completed wells which do not have production history, it is likely that reserve forecasts for these properties will be lower in early years of their development.

Additionally, reserve evaluators are now required to include estimated abandonment liabilities in the reserve report. This has resulted in a reduction of net present value of future revenues.

A summary of the complete report in respect to Diaz's reserves is included in Diaz's Annual Information Form which will be filed on SEDAR or requested from the Company.

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
AS OF DECEMBER 31, 2003
FORECAST PRICES AND COSTS

<u>COMPANY TOTAL</u>	RESERVES							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MMcf)	Net (MMcf)	Gross (MBbl)	Net (MBbl)
RESERVES CATEGORY								
PROVED								
Developed Producing	207	181	6	5	7,039	5,747	11	7
Developed Non-producing	0	0	0	0	418	353	0	0
Undeveloped	0	0	0	0	7,366	6,298	15	10
TOTAL PROVED	207	181	6	5	14,822	12,398	26	17
PROBABLE	31	26	7	6	10,318	8,368	7	5
TOTAL PROVED PLUS PROBABLE	237	207	13	11	25,141	20,766	32	22

<u>COMPANY TOTAL</u>	NET PRESENT VALUES OF FUTURE NET REVENUE ⁽¹⁾									
	BEFORE INCOME TAXES DISCOUNTED AT (% per year)					AFTER INCOME TAXES DISCOUNTED AT (% per year)				
	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)
RESERVES CATEGORY										
PROVED										
Developed Producing	22.3	19.0	16.8	15.3	14.1	21.8	18.6	16.6	15.1	14.0
Developed Non-producing	1.0	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.4	0.4
Undeveloped	14.8	11.8	9.7	8.1	6.8	9.9	7.8	6.2	5.0	4.2
TOTAL PROVED	38.1	31.7	27.3	24.0	21.6	32.4	26.9	23.3	20.6	18.5
PROBABLE	31.2	19.5	13.6	10.2	8.0	19.8	12.2	8.4	6.3	4.9
TOTAL PROVED PLUS PROBABLE	69.3	51.2	40.9	34.2	29.6	52.1	39.2	31.7	26.8	23.4

⁽¹⁾ Based on the forecast prices and costs utilized by AJM in the AJM report, as at December 31, 2003.

Management's Discussion and Analysis

The following discussion and analysis is management's assessment of Diaz's historical, financial and operating results, together with future prospects, and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2003, 2002 and 2001. 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 unaudited interim consolidated financial statements and the audited consolidated financial statements. The Company also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

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.

This discussion and the Company's annual report contain forward-looking statements that involve risk and uncertainties. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made.

Summary of Results

The following table provides financial data derived from the Company's financial statements for the past three years:

<i>(Thousands, except per share amounts)</i>	Years Ended December 31		
	2003	2002	2001
Total revenue	\$ 9,858	\$ 7,213	\$ 10,794
Cash flow from operations	\$ 5,766	\$ 3,465	\$ 6,651
per share, basic and diluted	\$ 0.12	\$ 0.08	\$ 0.17
Net earnings	\$ 2,101	\$ 153	\$ 2,647
per share, basic and diluted	\$ 0.04	\$ -	\$ 0.07
Total assets	\$ 38,119	\$ 32,172	\$ 30,796
Net debt	\$ 7,100	\$ 9,914	\$ 9,746

Diaz has operations in Canada and in the United States. Where meaningful, the following information has been segmented for each of these geographic areas.

Operations

Oil & Gas Production	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Gas - Canada				
Retlaw/Little Bow	1,180	1,074	993	894
Enchant	758	1,011	889	1,018
Carmangay	305	494	377	733
Therien	286	293	275	285
Iron Springs	173	358	242	451
Provost	224	-	115	-
Prior period adjustment	-	510	-	129
Other	499	657	652	641
Gas - Canada (Mcf)	3,425	4,397	3,543	4,151
Oil & Liquids - Canada				
Parkman	37	39	33	39
Neutral Hills	22	27	23	29
Red Earth	15	17	16	17
Arcola	-	6	-	16
Prior period adjustment	-	-	(20)	-
Other	35	42	27	41
Oil & Liquids - Canada (Bopd)	109	131	79	142
BOEd - Canada (6Mcf = 1Bbl)	679	862	670	832
Gas - U.S.				
Provident City	1,877	594	1,233	678
Mustang Creek	125	-	111	-
Other	23	7	16	37
Gas - U.S. (Mcf)	2,025	601	1,360	715
Oil & Liquids - U.S.				
Provident City	14	-	7	-
Oil & Liquids - U.S. (Bopd)	14	-	7	-
BOEd - U.S. (6Mcf = 1Bbl)	352	100	234	119
Gas - Company (Mcf)	5,450	4,998	4,903	4,866
Oil and Liquids - Company (Bopd)	123	131	86	142
BOEd - Company	1,031	962	904	952

Diaz is primarily a natural gas producer with over 90% of its production in 2003 coming from natural gas wells. Diaz owns interests in producing properties in Canada: Alberta and Saskatchewan; and in the United States, almost exclusively in Texas.

During 2003, the Company's U.S. natural gas production increased from approximately 0.6 MMcf in Q4 2002 to 2.0 MMcf in Q4 2003. The increase is primarily due to production from a new zone completed in the Company's Provident City #1 well in June 2003. Diaz anticipates that gas production from Texas will increase in 2004 as three new Wilcox wells drilled over the past year are completed and placed on continuous production.

In Canada, natural gas production declined from 4.4 MMcfd in Q4 2002 to 3.4 MMcfd in Q4 2003. Sixteen new wells tied-in during the year added 410 Mcfd for the year and were producing 875 Mcfd in December 2003. A prior period adjustment which was reflected in the Q4 2002 gas production accounted for 510 Mcfd of the production change. The Company received retroactive payment of gas volumes incorrectly calculated by a third party in 2001 and 2000. The remainder of the decline in production reflects normal reservoir declines of approximately 15%.

Diaz did not reach expected year end exit rates as a result of unanticipated delays in the construction of third party facilities at Jaslan, Carmangay and Enchant. These facilities were completed by the end of Q1 2004 and together with additional gas wells tied-in during Q1, Diaz has added approximately 3.0 MMcfd of new gas production, net, to the Company subsequent to year end.

Diaz's oil production was lower than reported in 2002. This was the result of the sale of the Company's interest in non-core oil properties at Arcola, Grand Forks and Twining.

Product Prices	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Canada				
Gas (\$/Mcf)	\$ 5.46	\$ 4.85	\$ 5.87	\$ 3.88
Oil & Liquids (\$/Bbl)	\$ 35.53	\$ 38.04	\$ 44.64	\$ 35.39
\$/BOE	\$ 33.22	\$ 30.45	\$ 36.33	\$ 25.32
U.S.				
Gas (\$/Mcf)	\$ 5.94	\$ 5.63	\$ 6.52	\$ 4.70
Oil & Liquids (\$/Bbl)	\$ 45.27	\$ -	\$ 39.86	\$ 49.67
\$/BOE	\$ 36.01	\$ 33.76	\$ 39.12	\$ 28.27
\$/BOE - Company	\$ 34.17	\$ 30.80	\$ 37.05	\$ 25.69

Commodity prices during the year ended December 31, 2003 were significantly higher than prices for the same period in 2002 averaging 44% higher in 2003. Gas prices in the U.S. showed similar increases averaging \$6.52 per Mcf in Canadian dollars. Diaz's gas sales in Canada averaged \$5.87 per Mcf for the year compared with \$3.88 per Mcf in 2002. During the last half of 2003, the U.S. dollar declined significantly against the Canadian dollar and this has reduced the price increase in Canadian dollars.

Diaz believes the higher commodity prices will continue throughout 2004 due to a strong global demand for oil and supply concerns in the Middle East. However, the Company has sold forward approximately 2 MMcfd of gas production in Canada at prices of \$7.43 and \$7.60 per Mcf until March 31, 2004 and 2 MMcfd of gas production at an average price of \$5.94 to \$6.26 per Mcf for the period beginning April 1, 2004 to October 31, 2004.

Revenue from Oil and Gas Production <i>(Thousands)</i>	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Canada				
Natural gas	\$ 1,722	\$ 1,963	\$ 7,592	\$ 5,878
Oil and natural gas liquids	352	452	1,298	1,812
Other	10	6	24	35
Total revenue	\$ 2,084	\$ 2,421	\$ 8,914	\$ 7,725
U.S.				
Natural gas	\$ 1,106	\$ 311	\$ 3,234	\$ 1,226
Oil and natural gas liquids	61	-	109	6
Total Revenue	\$ 1,167	\$ 311	\$ 3,343	\$ 1,232
Total Revenue - Company	\$ 3,251	\$ 2,732	\$ 12,257	\$ 8,957

Diaz's growing U.S. gas production accounted for 36% of the Company's revenue during Q4 2003. Higher commodity prices were the primary factor in increasing the Company's production revenue to \$12.3 million for the year compared with \$9.0 million in 2002. As a result of increased production placed on stream during Q1 2004 and continued high gas prices, Diaz is confident that revenues will continue to grow throughout the year.

Royalties <i>(Thousands, except percentage amounts)</i>	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Canada				
Crown	\$ 101	\$ 299	\$ 830	\$ 770
Freehold	168	189	717	663
Alberta Royalty Tax Credit (ARTC)	(27)	22	(147)	(56)
Royalties, net of ARTC	\$ 242	\$ 510	\$ 1,400	\$ 1,377
per BOE	\$ 3.88	\$ 6.43	\$ 5.72	\$ 4.53
Royalty as a percentage of revenue	11.6%	21.1%	15.7%	17.8%
U.S.				
Freehold	\$ 351	\$ 95	\$ 999	\$ 366
Royalties	\$ 351	\$ 95	\$ 999	\$ 366
per BOE	\$ 10.83	\$ 10.32	\$ 11.69	\$ 8.39
Royalty as a percentage of revenue	30.1%	30.5%	29.9%	29.7%

Royalties on Canadian production declined 1% before ARTC and 2% after ARTC. The 2002 ARTC was abnormally low due to prior period adjustments during the year. Crown royalties in Q4 2003 were reduced to offset an over-accrual in the first nine months of 2003. The Company's royalties in the U.S. are approximately 30% on all of its production.

Diaz's royalties, net of royalty tax credits, should be approximately 20% in 2004. Royalties paid to the Crown on gas are calculated based on a provincial average price posted by the Crown. If this provincial average price varies from the price actually received by Diaz, industry prices received for forward sales of the implied royalty rate will vary.

Operating Expense <i>(Thousands, except per BOE amounts)</i>	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Canada	\$ 757	\$ 621	\$ 2,181	\$ 2,031
per BOE	\$ 12.12	\$ 7.83	\$ 8.91	\$ 6.69
U.S.	\$ 46	\$ 28	\$ 75	\$ 71
per BOE	\$ 1.42	\$ 3.04	\$ 0.88	\$ 1.63
Total - Company, per BOE	\$ 8.47	\$ 7.33	\$ 6.83	\$ 6.05

Operating costs in Canada remained relatively unchanged in total, however, on a per BOE basis, operating costs increased significantly as a result of declining production. As Diaz adds production in 2004, we anticipate that costs will decline on a per BOE basis.

Overhead <i>(Thousands, except per BOE amounts)</i>	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Compensation costs	\$ 358	\$ 214	\$ 985	\$ 813
Other costs	185	47	730	629
Recovered from third parties	(69)	(68)	(256)	(279)
Capitalized	(60)	(46)	(222)	(187)
Net overhead	\$ 414	\$ 147	\$ 1,237	\$ 976
per BOE	\$ 4.37	\$ 1.66	\$ 3.75	\$ 2.81

Increased overhead costs for Q4 2003 reflect one-time compensation costs paid to the Company's employees as incentive payments in Q4 2003. Incentive payments are based on growth in reserves, cash flow and stock price, among other variables.

Interest Expense <i>(Thousands, except per BOE and percentage amounts)</i>	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Average bank debt	\$ 6,735	\$ 9,550	\$ 8,645	\$ 9,223
Interest expense	\$ 142	\$ 166	\$ 539	\$ 511
per BOE	\$ 1.50	\$ 1.88	\$ 1.63	\$ 1.47
Average interest rate	5.3%	5.3%	5.4%	5.0%

Diaz's average debt decreased to \$8.6 million in 2003 compared with an average debt of \$9.2 million in 2002. The average interest rate over the period increased to 5.4% and interest expense increased to \$539,000 during the year ended December 31, 2003 from \$511,000 reported one year earlier.

At year end, the Company's bank debt was \$5.4 million. Diaz anticipates its debt level will remain under \$10 million during 2004.

Income Taxes <i>(Thousands, except per BOE amounts)</i>	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Canada				
Current tax	\$ (15)	\$ 68	\$ 60	\$ 116
Future tax	(400)	(189)	(548)	(206)
U.S.				
Current tax	-	-	-	-
Future tax	399	138	724	239
Total	\$ (16)	\$ 17	\$ 236	\$ 149

During 2003, the Canadian government implemented a change in the Income Tax Act significantly affecting the way crown royalties and the resource allowance are deducted and reducing the income tax rate over the next five years. This change had a significant effect on Diaz's income tax expense for the period, reducing the estimated future income tax liability by \$530,000.

Diaz reported income tax expense of \$236,000 consisting of future tax expense of \$724,000, relative to U.S. operations, and a \$548,000 future tax recovery and \$60,000 of current taxes in Canada.

At year end, Diaz had the following tax pools available to offset future income:

Tax Pools <i>(Thousands)</i>	Years Ended December 31	
	2003	2002
Canadian exploration expense	\$ 4,936	\$ 1,469
Canadian development expense	2,615	5,468
Undepreciated capital cost	5,868	5,184
Canadian oil and gas property expense	4,829	4,681
Other	506	227
	18,754	17,029
U.S. tax pools	2,770	3,246
Total	\$ 21,524	\$ 20,275

During 2003, Diaz issued \$1.3 million of flow-through shares and had an obligation to spend \$1.0 million of exploration costs prior to December 31, 2004.

Based on the Company's current forecast of revenues and capital expenditures, Diaz will not be cash taxable in 2004 and will commence paying current income tax in 2005.

Depletion, Depreciation & Amortization <i>(Thousands, except per BOE amounts)</i>	Three Months Ended December 31		Years Ended December 31	
	2003	2002	2003	2002
Canada				
Depletion and depreciation	\$ 930	\$ 899	\$ 3,003	\$ 3,008
Site restoration expense	54	27	117	101
	984	926	3,120	3,109
per BOE	\$ 15.76	\$ 11.68	\$ 12.75	\$ 10.24
U.S.				
Depletion and depreciation	\$ 203	\$ 44	\$ 408	\$ 211
Site restoration expense	5	-	7	1
Amortization of deferred credit	(89)	(25)	(144)	(41)
Net depletion and depreciation	\$ 119	\$ 19	\$ 271	\$ 171
per BOE	\$ 3.67	\$ 2.06	\$ 3.17	\$ 3.92
Total - Company	\$ 1,103	\$ 945	\$ 3,391	\$ 3,280
per BOE	\$ 11.63	\$ 10.68	\$ 10.27	\$ 9.44

Total depletion, depreciation and site restoration expenses increased to \$3.4 million, or \$10.27 per BOE compared with \$3.3 million, or \$9.44 per BOE in 2002. The increased rate per BOE reflects a year-over-year decrease in the Company's proved reserves.

In Canada, depletion and depreciation expenses increased to \$15.76 per BOE for Q4 2003. A 19% reduction in proved reserves in Canada over the year resulted in the increased depletion rate. U.S. depletion rates decreased from \$3.92 per BOE in 2002 to \$3.17 per BOE in 2003.

The depletion rate will remain at approximately \$16.00 per BOE in Canada and \$4.00 per BOE in the U.S., during 2004, until such time as additional proved reserves are recognized for newly discovered wells.

Exploration and Development

During 2003, Diaz incurred \$8.5 million on additions to its oil and gas asset base. Capital expenditures and the increase or decrease in future capital required to produce the Company's proved and probable reserves are summarized below for the past three years:

<i>Fixed Asset Additions</i> <i>(Thousands)</i>	Years Ended December 31			Three Year Total
	2003	2002	2001	
Canada				
Land	\$ 1,181	\$ 1,144	\$ 2,936	\$ 5,261
Acquisitions	-	-	-	-
Geological & geophysical	840	594	442	1,876
Drilling	3,568	2,868	5,991	12,427
Facilities	1,013	931	2,108	4,052
Cost incurred	6,602	5,537	11,477	23,616
Increase (decrease) in future costs required to produce:				
Proven reserves	137	808	567	1,511
Probable reserves	1,795	51	(437)	1,410
	1,932	859	130	2,921
Total Finding Costs - Canada	\$ 8,534	\$ 6,396	\$ 11,607	\$ 26,537
U.S.				
Land	\$ 86	\$ 174	\$ 203	\$ 463
Corporate acquisitions	-	-	-	-
Geological & geophysical	25	3	-	28
Drilling	1,602	168	381	2,151
Facilities	165	2	27	194
Cost incurred	1,878	347	611	2,836
Increase (decrease) in future costs required to produce:				
Proven reserves	92	(2)	38	129
Probable reserves	472	(20)	(42)	409
	564	(22)	(4)	538
Total Finding Costs - U.S.	\$ 2,442	\$ 325	\$ 607	\$ 3,374

The Company's proved and probable finding costs for 2003 were significantly improved over the previous two years.

<i>Finding Costs per BOE</i>	Years Ended December 31			Three Year Total
	2003	2002	2001	
Proved Reserves				
Total cost of proved additions (\$M)	\$ 8,583	\$ 6,665	\$ 12,652	\$ 27,900
Proved reserve additions (MBOE)	(148.0)	90.0	251.0	193.0
Finding & development cost (\$/BOE)	\$ -	\$ 74.06	\$ 50.40	\$ 144.56
Proved and Probable Reserves				
Total cost of P+P additions (\$M)	\$ 10,976	\$ 6,722	\$ 12,214	\$ 29,912
P+P reserve additions (MBOE)	749.0	(70.0)	433.0	1,112.0
Finding & development cost (\$/BOE)	\$ 14.65	\$ -	\$ 28.21	\$ 26.90

The aggregate of the exploration and development costs incurred in the most recent financial year and the changes during that year in estimated future developments costs generally will not reflect total finding and development costs related to additions to reserves for that year. Additions to reserves include changes to previous estimates of reserve values.

BOEs may be misleading, particularly if used in isolation. A BOE conversion factor of 6 Mcf to 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.

Asset Dispositions

During 2003, the Company received \$921,000 from the dispositions of non-core properties.

In Canada, Diaz sold an interest in the Twining and Grand Forks areas, which had estimated proved and probable reserves of 19,000 Bbl for \$561,000. The balance of assets disposed of in Canada and the U.S. consisted of undeveloped acreage and rights to geological and geophysical data.

Consolidated Balance Sheet

(Thousands)

As at December 31	2003	2002
ASSETS		
Current Assets		
Cash	\$ 124	\$ 138
Accounts receivable	4,517	2,079
Prepaid expense	200	143
	4,841	2,360
Future tax asset (Note 5)	70	788
Property, plant and equipment (Note 2)	48,451	40,849
Accumulated depletion and depreciation	(15,243)	(11,825)
	33,208	29,024
Total Assets	\$ 38,119	\$ 32,172
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,510	\$ 2,727
Bank debt (Note 3)	5,431	9,547
	11,941	12,274
Other Liabilities		
Future income tax liability (Note 5)	4,203	4,446
Deferred credits	15	181
Future site restoration	590	499
Total Other Liabilities	4,808	5,126
	16,749	17,400
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	15,303	10,793
Retained earnings	6,067	3,979
	21,370	14,772
Total Liabilities and Shareholders' Equity	\$ 38,119	\$ 32,172

Approved by the Board:

(Signed) "R.W. Lamond" Director

(Signed) "C.A. Teare" Director

Consolidated Statement of Operations & Retained Earnings

(Thousands, except per share amounts)

Years Ended December 31	2003	2002
Revenue		
Production	\$ 12,233	\$ 8,922
Royalties	(2,546)	(1,799)
Alberta Royalty Tax Credit	147	55
Interest and other income	24	35
	9,858	7,213
Expenses		
Operating	2,256	2,102
General and administration	1,237	1,019
Interest expense	539	511
Foreign exchange (gain) loss	98	(1)
Depletion and depreciation	3,391	3,280
	7,521	6,911
Earnings before income tax	2,337	302
Income tax expense (Note 5)		
Current	60	116
Future	176	33
Total income tax	236	149
Net earnings for the year	2,101	153
Excess of cost over paid up capital on share repurchases	(13)	(5)
Retained earnings, beginning of year	3,979	3,831
Retained earnings, end of year	\$ 6,067	\$ 3,979
Earnings per share, basic and diluted (Note 4)	\$ 0.04	\$ 0.00

Consolidated Statement of Cash Flows

(Thousands, except per share amounts)

Years Ended December 31	2003	2002
Cash provided by (used for):		
Operating Activities		
Net earnings for the year	\$ 2,101	\$ 153
Non-cash items:		
Depreciation and depletion	3,391	3,280
Future taxes	176	33
Foreign exchange loss (gain)	98	(1)
Cash flow from operations	5,766	3,465
Change in non-cash working capital	(259)	344
	5,507	3,809
Investing Activities		
Property, plant and equipment - additions	(8,523)	(5,929)
Property, plant and equipment - dispositions	921	1,014
Site restoration	(32)	(33)
Change in non-cash working capital	1,429	(1,392)
	(6,205)	(6,340)
Financing Activities		
Increase (decrease) in bank debt	(4,116)	1,178
Class A Subordinate Voting Shares		
Issued for cash	4,000	
Issued for cash on a flow-through share basis	1,300	1,500
Issued for cash on exercise of options	5	-
Repurchased for cancellation	(57)	(20)
Class B Multiple Voting Shares		
Repurchased for cancellation	(4)	(5)
Share issue cost	(444)	(160)
	684	2,493
Decrease in cash	(14)	(38)
Cash, beginning of year	138	176
Cash, end of year	\$ 124	\$ 138
Supplementary Information Regarding Cash Payments:		
Interest paid during the period	\$ 539	\$ 511
Taxes paid during the period	\$ 94	\$ 112

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2003 and 2002

(tabular amounts in thousands of dollars, except per share amounts)

1. Accounting Policies

Consolidation

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

Property, Plant and Equipment

The Company follows the full cost method of accounting for petroleum and natural gas operations. Under this method, all costs of exploration for and development of petroleum and natural gas reserves are capitalized by cost centre. A separate cost centre is established for each country in which the Company operates, presently Canada and the United States. Costs include lease acquisition costs, geological and geophysical expense, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to exploration activities.

Proceeds on disposal of properties are normally applied as a reduction of the capitalized costs without recognition of a gain or loss, except where such a disposal would alter the depletion and depreciation rate by 20% or more.

Depletion and depreciation of capitalized costs are provided by using the unit of production method based on the Company's total estimated gross proven reserves, as determined by independent engineers. Natural gas reserves and production are converted to equivalent barrels of oil based on the relevant energy content. In determining the depletion base, the Company includes future costs to be incurred in developing proven reserves and excludes the costs of undeveloped land.

Depreciation is provided on furniture and fixtures at annual rates of 20%, on a declining balance basis.

The Company carries its petroleum and natural gas properties at the lower of the capitalized cost and net recoverable amounts. Net capitalized cost is calculated as the net book value of the related assets less the accumulated provisions for future income taxes and site restoration costs. Net recoverable amount is limited to the sum of future net revenues from proven properties and the cost of unproved properties, net of provisions for impairment, less estimated future financing, administrative expenses and income taxes. Future net revenues are based on prices and costs prevailing at year end.

In determining the depletion and depreciation provisions for crude oil and natural gas assets, the Company includes any excess of the net book value of those crude oil and natural gas assets over the unescalated, undiscounted future net operating revenues from its proved crude oil and natural gas reserves for each cost centre (ceiling test). A second ceiling test calculation is conducted on an enterprise basis, by including in the depletion and depreciation provisions any excess of the net book value of conventional crude oil and natural gas assets less future income taxes for all cost centres over the unescalated, undiscounted future net operating revenues from proved crude oil and natural gas reserves plus the lower of cost and fair value of unproved properties, less future

production-related general and administrative expenses, financing costs and income taxes. The ceiling test calculations utilize the Company's year end product prices.

Future site restoration

Estimated future abandonment and site restoration costs for the Company's oil and gas properties are provided using the unit-of-production method. The expense of \$123,000 (2002 - \$102,000) is included with depletion and depreciation expense.

Joint ventures

The Company's activities are conducted jointly with others. These financial statements reflect the Company's proportionate interest in such activities.

Share based compensation plan

The Company has a stock based compensation plan, which is described in Note 4.

No compensation expense is recognized for this plan when the stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

Hedging activities

Gains or losses on forward sales, which have been arranged as a hedge against commodity price fluctuations, are reflected in the product revenue at the time of sale of the related hedged production.

Foreign currency translation

Foreign currency balances, including those of integrated foreign subsidiaries, are expressed in Canadian dollars on the following basis:

Monetary assets and liabilities – at the year end rate of exchange;

Other assets and liabilities – at historical rates of exchange; and

Revenues and expenses – at average rates of exchange for the period, except provisions for depreciation and depletion, which are translated on the same basis as the related assets.

Flow-through shares

Share capital is reduced by the future tax effect of renouncing income tax cost to the purchasing of flow-through shares. The tax effect is calculated using the expected rate of tax.

Revenue recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids owned by the Company is recognized when title passes from the Company to its customers.

Use of accounting estimates

The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas properties and equipment and the provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. Property, Plant and Equipment

At December 31, 2003, unproven property costs of \$1,075,000 were excluded from the depletable cost base (December 31, 2002 - \$2,119,000). Administrative expenses of \$222,000 related to exploration and development activities were capitalized as part of property, plant and equipment (2002 - \$187,000).

In 2003, the ceiling test was performed using year end prices of \$6.40 (U.S.) per Mcf of natural gas (2002 - \$4.00 U.S.) and \$33.38 (U.S.) per Bbl of oil for U.S. properties and \$37.05 per Bbl of oil and \$5.87 per Mcf of gas (2002 - \$34.36 per Bbl of crude oil and \$5.65 per Mcf of gas) for Canadian properties. No write down was required in 2003 or 2002.

3. Bank Debt

Due to a change in Canadian accounting principles, effective January 1, 2002, all credit facilities that are revolving in nature must be disclosed as "current portion of long-term 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.

The Company has an \$10,800,000 secured revolving production loan with a Canadian financial institution. At December 31, 2003, \$5,431,000 of the loan was outstanding (2002 - \$9,547,000). The facility carries an interest rate of prime plus 0.75%, resulting in an effective rate of 5.25% at December 31, 2003, is payable on demand and is subject to annual review by May 31, 2004.

The loan is secured by an interest in certain property, a general assignment of book debts and a \$20,000,000 first floating charge demand debenture.

4. Share Capital

Authorized

Unlimited number of Class A Subordinate Voting Shares, no stated par value

Unlimited number of Class B Multiple Voting Shares, no stated par value

Voting rights

Class A Subordinate Voting Shares carry voting rights of one vote per share; Class B Multiple Voting Shares carry voting rights of 25 votes per share

Restrictions on issuance

Additional Class B Shares may only be issued on conversion of Class A Shares in the event of a takeover bid, which has been accepted by holders of 50.1% of the Class B Shares. Class A Shares may be converted into Class B Shares on the basis of one Class B Share for each Class A Share converted.

Issued

	Number of Shares	Amount (thousands)
Class A Subordinate Voting Shares		
Balance, December 31, 2001	35,681,020	\$ 8,186
Issued for cash (net of offering expense of \$160,000 and income tax effect of \$564,000)	4,285,714	776
Repurchased for cancellation	(66,000)	(16)
Balance, December 31, 2002	39,900,734	8,946
Issued for cash (net of offering expense of \$444,000 and income tax effect of \$303,000)	11,381,097	4,553
Issued on exercise of options	20,000	5
Repurchased for cancellation	(198,000)	(45)
Balance, December 31, 2003	51,103,831	\$ 13,459
Class B Multiple Voting Shares		
Balance, December 31, 2001	6,199,555	\$ 1,851
Repurchased for cancellation	(14,000)	(4)
Balance, December 31, 2002	6,185,555	1,847
Repurchased for cancellation	(12,000)	(3)
Balance, December 31, 2003	6,173,555	\$ 1,844
Total Shares Outstanding, December 31, 2003	57,277,386	\$ 15,303

Normal Course Issuer Bid

The Company was authorized to repurchase up to 1,986,000 additional Class A Subordinate Voting Shares and 309,000 additional Class B Multiple Voting Shares through the Toronto Stock Exchange pursuant to normal course issuer bids, which expire on August 10, 2004. Shares repurchased pursuant to the bids are cancelled. During 2003, 198,000 Class A Subordinate Voting Shares were purchased at an average price of \$0.29 per share and 12,000 Class B Multiple Voting Shares were purchased at an average price of \$0.36 per share.

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.

Basic earnings per share are calculated by dividing the weighted average number of the aggregate outstanding shares during the period into net earnings attributable to the shareholders. Weighted average number of shares outstanding for 2003 were 47,862,880 (2002 – 42,149,903). Diluted weighted average shares outstanding for 2003 were 48,859,812 (2002 – 42,460,173).

Share based compensation plan

The Company established an employee option compensation plan, which was approved by the shareholders on June 7, 1999. Pursuant to the plan, the Company may grant to employees and directors options to purchase up to 10% of its shares outstanding at the time of the grant. Options may only be granted to purchase Class A Subordinate voting Shares. Options are exercisable for a maximum period of 5 years. One-third of the options granted vest on the day of the grant, one-third vest after one year and the balance vest after two years. The exercise price for the options is set by the Board of Directors at market, or higher, on the date of the grant.

A summary of the share options issued under the Company's option plan as at December 31, 2003 is as follows:

Reconciliation of share options outstanding

	2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Fixed Options				
Outstanding, beginning of year	2,610,000	\$ 0.335	2,660,000	\$ 0.365
Granted	1,520,000	0.310	-	-
Exercised	(20,000)	0.260	-	-
Expired	(755,000)	0.400	(50,000)	1.020
Outstanding, end of year	3,355,000	\$ 0.310	2,610,000	\$ 0.335
Options exercisable, end of year	2,341,500	\$ 0.310	2,538,300	\$ 0.336

The following summarizes information about fixed stock options outstanding at December 31, 2003:

Exercise Price	Outstanding December 31, 2003	Weighted Average Remaining Life (years)	Exercisable December 31, 2003
\$0.20 - \$0.29	175,000	1.20	175,000
\$0.30 - \$0.39	3,180,000	2.90	2,166,500
	3,355,000		2,341,500

On March 19, 2002, approval was granted by the TSX regarding the cancellation and regranting of 200,000 stock options to a non-insider of the Company. The options were originally priced at \$0.53 per share and were re-issued at \$0.30 per share.

On June 11, 2003, Diaz issued 1,520,000 employee and director stock options at an exercise price of \$0.31 per share.

The Company accounts for its stock based compensation plan using the intrinsic value method, whereby no compensation costs have been recognized in the financial statements for share options granted to employees and directors. As now required by Canadian generally accepted accounting principles, the impact on compensation costs of using the fair value method, whereby compensation costs have been recorded in net earnings, must be disclosed.

If the fair value method had been used for the options subsequent to January 1, 2002, the Company's compensation costs for 2003 would have been increased by \$102,000 (2002 - \$19,000) and the earnings for the period would have been \$2,043,000 (2002 - \$134,000). This would have no material affect on the reported loss per share for the period.

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

	2003	2002
Risk free interest rate	3.00%	3.65%
Expected lives (years)	4.00	2.00
Expected volatility	0.90	0.56
Dividends per share	-	-

5. Income Taxes

The provisions for income taxes in the consolidated statement of operations and retained earnings varies from the amount that would be computed by applying the expected tax rate to earnings before income taxes. The expected tax rates used were those in effect for the periods. The principal reasons for differences between such "expected" income tax expense and the amount actually recorded are as follows:

	2003			2002		
	Canada	U.S.	Total	Canada	U.S.	Total
Tax rate	40.9%	39.5%	-	42.1%	39.5%	-
Computed expected income tax expense (recovery)	\$ 185	\$ 744	\$ 929	\$ (118)	\$ 230	\$ 112
Increase (decrease) in income taxes resulting from:						
Capital tax	60	-	60	116	-	116
Resource allowance	(401)	-	(401)	(360)	-	(360)
Non-deductible royalties	341	-	341	365	-	365
Alberta Royalty Tax Credit	(57)	-	(57)	(23)	-	(23)
Other	(17)	(20)	(37)	(20)	9	(11)
Change in tax rate	(530)	-	(530)	(50)	-	(50)
Adjusted tax pools	(69)	-	(69)	-	-	0
Actual income tax expense (recovery)	\$ (488)	\$ 724	\$ 236	\$ (90)	\$ 239	\$ 149

Future income tax liability is comprised of temporary differences and future income tax reductions at the future tax rates. These temporary differences are as follows:

	2003	2002
Net book value of assets over associated tax base	\$ 4,720	\$ 4,815
Future site restoration costs	(188)	(153)
Attributed Canadian royalty income	(168)	(120)
Share issue costs	(161)	(96)
Future tax liability	\$ 4,203	\$ 4,446

Future income tax asset is attributable to the U.S. subsidiaries and is comprised of temporary differences and future income tax reduction. The balance of these temporary differences are as

	2003	2002
Tax basis in excess of net book value of property, plant and equipment	\$ 78	\$ 793
Future site restoration	(8)	(5)
Future tax asset	\$ 70	\$ 788

follows:

At December 31, 2003, the Company had the following tax deductions available to reduce future

	Canada	U.S.	Total
Canadian exploration expense	\$ 4,936	\$ -	\$ 4,936
Canadian development expense	2,615	-	2,615
Undepreciated capital cost	5,868	-	5,868
Canadian oil and gas property expense	4,829	-	4,829
Depletable and depreciable assets	-	2,391	2,391
Loss carryforward (expiry from 2006 to 2016)	-	379	379
Other	506	-	506
	\$ 18,754	\$ 2,770	\$ 21,524

taxable income:

The Company has renounced \$1.0 million of Canadian exploration expenditures, which must be expended prior to December 31, 2004.

6. Commitments

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

Year	Amount
2004	\$ 102
2005	\$ 85

Gas Contracts

At December 31, 2003, the following fixed price contracts were in effect:

Fixed Price Contracts

Volume	Fixed Price		Time Period for Contract
	(\$/GJ)	(\$/Mcf)	
1,000 GJd (950 Mcfd)	\$7.22	\$7.60	Jan. 1, 2004 to Mar. 31, 2004
1,000 GJd (950 Mcfd)	\$7.055	\$7.43	Jan. 1, 2004 to Mar. 31, 2004

7. 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.

	Years Ended December 31	
	2003	2002
Revenue		
Canada	\$ 7,514	\$ 6,346
United States	2,344	867
	\$ 9,858	\$ 7,213
Interest and Other Income		
Canada	\$ 24	\$ 35
United States	-	-
	\$ 24	\$ 35
Interest Expense		
Canada	\$ 539	\$ 511
United States	-	-
	\$ 539	\$ 511
Current Taxes		
Canada	\$ 60	\$ 116
United States	-	-
	\$ 60	\$ 116
Cash Flow from Operations		
Canada	\$ 3,513	\$ 2,712
United States	2,253	753
	\$ 5,766	\$ 3,465
Depletion and Depreciation		
Canada	\$ 3,120	\$ 3,109
United States	271	171
	\$ 3,391	\$ 3,280
Net Earnings (Loss)		
Canada	\$ 940	\$ (191)
United States	1,161	344
	\$ 2,101	\$ 153
Additions to Property, Plant & Equipment		
Canada	\$ 6,645	\$ 5,582
United States	1,878	347
	\$ 8,523	\$ 5,929
Identifiable Assets, Net		
Canada	\$ 34,210	\$ 29,783
United States	3,909	2,389
	\$ 38,119	\$ 32,172

8. Financial Instruments

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.

9. Related Party Transactions

Diaz is controlled by Humboldt Capital Corporation and certain of its officers and directors. Diaz and Humboldt have certain common officers and directors. Humboldt's business includes the ownership, acquisition and sale of securities in other companies in the oil and gas industry and Humboldt owns significant interests in companies in the oil and gas sector, which operate jointly with Diaz in certain areas.

Diaz and Sharon Energy Ltd. are controlled by a common shareholder and have certain common officers and directors. During the past two years, Sharon participated in an exploration and land acquisition program in southern Alberta, operated by Diaz, and Diaz participated in an exploration and land acquisition program in Texas and Wyoming, operated by Sharon. At December 31, 2003, Sharon owed Diaz \$214,000 (2002 - \$138,000) through the normal course of business.

During 2003, Diaz provided certain overhead services to Humboldt Capital Corporation and Humboldt reimbursed Diaz in the amount of \$120,000 (2002 - \$120,000).

Diaz is an oil and gas exploration and production company based in Calgary, Alberta. Diaz's current focus is on shallow gas developments in southern Alberta and deep Wilcox gas exploration in Texas.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Forward-looking statements – statements included in this press release that are not historical facts may be considered “forward-looking statements.” All estimates and statements that describe the Company's objectives, goals or future plans are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties where actual results could differ materially from those currently anticipated.

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