



DIAZ RESOURCES LTD.

#1800, 633 Sixth Avenue S.W.
Calgary, Alberta
T2P 2Y5 Canada

The following is for immediate release in Canada, Tuesday, August 10, 2004.

DIAZ REPORTS 64% INCREASE IN CASH FLOW AND A 42% INCREASE IN PRODUCTION VOLUMES, FOR THE FIRST SIX MONTHS OF 2004

Diaz today reported that its financial and operating results for the second quarter of 2004 were significantly improved from one year ago. Production volumes rose by 42% to average 1,148 BOEd compared with 809 BOEd for 2003. Production for the second quarter increased to average 1,256 BOEd and is currently estimated to be averaging 1,300 BOEd.

Revenue for the six months ended June 30, 2004 totaled \$6.9 million compared with \$4.7 million one year earlier.

Cash flow for the period increased by 64% to \$4.5 million, or \$0.08 per share compared with \$2.8 million, or \$0.06 per share in 2003. Diaz reported earnings for the six months ended June 30, 2004 of \$1.0 million, or \$0.02 per share compared with \$1.2 million, or \$0.03 per share reported in 2003.

Capital expenditures totaled \$5.3 million compared with \$2.5 million in 2003. Capital expenditures were financed from \$4.5 million of cash flow and from an increase of \$0.8 million in the Company's net debt. Diaz closed the second quarter of 2004 with net debt of \$7.9 million and debt repayability from annualized cash flow from operations was reduced to 0.9 times from 1.7 times in the prior period.

Corporate Summary

<i>(Thousands, except per share amounts)</i>	Six Months Ended June 30	
	2004	<i>(Restated)</i> 2003
Financial		
Total revenue	\$ 6,930	\$ 4,656
Cash flow	\$ 4,513	\$ 2,751
Cash flow per share (diluted)	\$ 0.08	\$ 0.06
Earnings for the period	\$ 950	\$ 1,205
Earnings per share (diluted)	\$ 0.02	\$ 0.03
Capital additions	\$ 5,437	\$ 2,579
Dispositions	\$ 17	\$ 268
Net debt	\$ 7,882	\$ 10,042
Total assets	\$ 43,251	\$ 39,075
Operations		
Production		
Gas (MMcfd)	6.3	4.3
Oil (Bopd)	106	98
BOEd (6Mcf = 1Bbl)	1,148	809
Product Prices		
Gas (\$/Mcf)	\$ 6.93	\$ 6.53
Oil (\$/Bbl)	\$ 44.68	\$ 41.11
Total shares outstanding, at period end	57,342	45,914

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 unaudited consolidated financial statements of the Company for the six months ended June 30, 2004. The reader should be aware that historical results are not necessarily indicative of future performance.

The consolidated statement of operations and retained earnings and the consolidated statement of cash flows for the six months ended June 30, 2003 have not been reviewed by the Company's external auditors.

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 second quarter interim 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.

Oil & Gas Production	Three Months Ended		Six Months Ended	
	2004	2003	2004	2003
Gas - Canada				
Enchant	2,154	905	1,606	954
Retlaw/Little Bow	1,061	973	1,032	945
Carmangay	518	419	419	459
Therien	232	267	239	264
Provost	210	29	213	15
Jaslan	365	0	280	-
Edwand	158	0	174	-
Iron Springs	166	275	158	283
Other	354	600	386	709
Gas - Canada (Mcf)	5,218	3,468	4,507	3,629
Oil & Liquids - Canada				
Parkman	35	33	35	34
Neutral Hills	20	22	20	23
Red Earth	13	17	13	17
Other	24	28	22	24
Oil & Liquids - Canada (Bopd)	92	100	90	98
BOEd - Canada (6Mcf = 1Bbl)	961	678	841	703
Gas - U.S.				
Provident City	1,578	580	1,620	564
Mustang Creek	81	117	115	59
Other	12	13	11	15
Gas - U.S. (Mcf)	1,671	710	1,746	638
Oil & Liquids - U.S.				
Provident City	16	0	16	-
Oil & Liquids - U.S. (Bopd)	16	0	16	-
BOEd - U.S. (6Mcf = 1Bbl)	295	118	307	106
Gas - Company (Mcf)	6,889	4,178	6,253	4,267
Oil and Liquids - Company (Bopd)	108	100	106	98
BOEd - Company	1,256	796	1,148	809

Diaz is primarily a natural gas producer with over 90% of its production in 2004 coming from natural gas wells. Diaz owns interests in producing properties in Alberta and Saskatchewan, in Canada and in the United States, almost exclusively in Texas.

The Company's U.S. natural gas production increased to average 1.7 MMcfd in the first half of 2004 from approximately 0.6 MMcfd in the first half of 2003. The increase is primarily due to production from a new zone completed in the Company's Provident City #1 well in June 2003.

In Canada, natural gas production also increased to average 4.5 MMcfd in 2004 compared with 3.6 MMcfd in the first half of 2003. New production at Provost, Edwand, Enchant and Jaslan was the primary reason for the increase.

Canadian production continues to increase, averaging 5.2 MMcfd in Q2 2004 compared with 3.5 MMcfd in Q2 2003.

Diaz's Canadian oil production was slightly lower than reported in 2003, which was the result of normal declines in the Company's mature properties. This was offset by liquids production in the new Provident City zone in Texas.

<i>Product Prices</i>	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Canada				
Gas (\$/Mcf)	\$ 6.50	\$ 6.35	\$ 6.58	\$ 6.40
Oil & Liquids (\$/Bbl)	\$ 45.80	\$ 36.23	\$ 43.99	\$ 41.16
\$/BOE	\$ 39.62	\$ 37.81	\$ 39.95	\$ 38.76
U.S.				
Gas (\$/Mcf)	\$ 7.75	\$ 6.18	\$ 7.48	\$ 7.29
Oil & Liquids (\$/Bbl)	\$ 54.01	n/a	\$ 48.69	n/a
\$/BOE	\$ 46.91	\$ 37.06	\$ 45.07	\$ 43.72
\$/BOE - Company	\$ 41.33	\$ 37.70	\$ 41.31	\$ 39.42

Average commodity prices for the six months ended June 30, 2004 were marginally higher than prices for the same period in 2003 and the outlook remains positive for gas prices to remain at these levels. Canadian gas prices averaged \$6.58 per Mcf, 5% higher than the price reported in 2003. Oil prices were 7% higher than the comparable period in 2003.

Diaz believes oil prices will remain high throughout 2004 due to a strong global demand for oil and supply concerns in the Middle East and recently in Russia. This will continue to have a positive influence on gas prices and maintain pressure to keep gas prices high despite higher inventory levels. However, the Company has sold forward approximately 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 and 2 MMcfd of gas production at average prices of between \$7.63 and \$8.05 per Mcf from November 1, 2004 to March 31, 2005.

<i>Revenue from Oil and Gas Production</i> <i>(Thousands)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Canada				
Natural gas	\$ 3,084	\$ 2,005	\$ 5,395	\$ 4,201
Oil and natural gas liquids	383	330	721	730
Other	8	7	14	9
Total revenue	\$ 3,475	\$ 2,342	\$ 6,130	\$ 4,940
U.S.				
Natural gas	\$ 1,178	\$ 399	\$ 2,376	\$ 842
Oil and natural gas liquids	79	-	139	-
Other	1	-	1	-
Total Revenue	\$ 1,258	\$ 399	\$ 2,516	\$ 842
Total Revenue - Company	\$ 4,733	\$ 2,741	\$ 8,646	\$ 5,782

Diaz's growing U.S. gas production accounted for 27% of the Company's revenue during Q2 2004, compared with 15% for the same period in 2003. Higher natural gas production combined with marginally higher prices was responsible for a 52% increase in revenue to \$8.6 million for the six months ended June 30, 2004 compared with \$5.8 million in 2003.

As a result of increased production placed on stream during 2004 and continued high gas prices, Diaz is confident that revenues will continue to grow throughout the year.

Royalties (Thousands, except percentage amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Canada				
Crown	\$ 471	\$ 275	\$ 715	\$ 567
Freehold	185	172	410	386
Alberta Royalty Tax Credit (ARTC)	(104)	(40)	(144)	(87)
Royalties, net of ARTC	\$ 552	\$ 407	\$ 981	\$ 866
per BOE	\$ 6.31	\$ 6.60	\$ 6.41	\$ 6.81
Royalty as a percentage of revenue	15.9%	17.4%	16.0%	17.5%
U.S.				
Royalties	\$ 363	\$ 119	\$ 735	\$ 260
per BOE	\$ 13.55	\$ 11.05	\$ 13.17	\$ 13.50
Royalty as a percentage of revenue	28.9%	29.8%	29.2%	30.9%

During the first half of 2004, the royalty rates in both Canada and the United States remained relatively unchanged. A modest decline in Canada resulted from an adjustment to the Alberta Royalty Tax Credit for the second quarter.

Operating Expense (Thousands, except per BOE amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Canada				
per BOE	\$ 908	\$ 488	\$ 1,613	\$ 1,011
	\$ 10.37	\$ 7.91	\$ 10.54	\$ 7.95
U.S.				
per BOE	\$ 22	\$ 6	\$ 51	\$ 15
	\$ 0.83	\$ 0.56	\$ 0.91	\$ 0.78
Total - Company, per BOE	\$ 8.14	\$ 6.82	\$ 7.97	\$ 7.01

During the first six months of 2004, operating costs in Canada increased by 33% on a BOE basis. This increase is primarily attributed to higher processing and compression fees and repairs and maintenance costs on non-operated properties. The Company is addressing these issues with the third party operators.

Overhead <i>(Thousands, except per BOE amounts)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Compensation costs	\$ 216	\$ 204	\$ 440	\$ 426
Stock based compensation costs	38	-	76	-
Other overhead costs	191	139	421	345
Recovered from third parties	(101)	(65)	(189)	(127)
Capitalized	(43)	(48)	(101)	(105)
Net overhead	\$ 301	\$ 230	\$ 647	\$ 539
per BOE	\$ 2.63	\$ 3.17	\$ 3.10	\$ 3.68

Overhead costs increased to \$647,000 during the six months ended June 30, 2004 primarily as a result of the non-cash compensation costs associated with employee options.

Interest Expense <i>(Thousands, except per BOE and percentage)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Average bank debt	\$ 8,407	\$ 6,443	\$ 7,425	\$ 9,261
Interest expense	\$ 96	\$ 132	\$ 177	\$ 251
per BOE	\$ 0.84	\$ 0.86	\$ 0.85	\$ 1.61
Average interest rate	4.5%	5.0%	4.7%	5.0%

Total interest expense decreased to \$177,000 during the six months ended June 30, 2004 from \$251,000 reported one year earlier. This was due to the smaller loan balance during the current period.

Diaz reduced its bank debt in Q4 2003 with the proceeds from two equity financings completed during the period. Diaz anticipates its debt level will remain under \$9.0 million during 2004.

Depletion, Depreciation & Amortization <i>(Thousands, except per BOE amounts)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Canada				
Depletion and depreciation	\$ 1,436	\$ 703	\$ 2,439	\$ 1,427
Asset Retirement Obligation accretion	50	22	76	44
	1,486	725	2,515	1,471
per BOE	\$ 16.98	\$ 11.75	\$ 16.43	\$ 11.56
U.S.				
Depletion and depreciation	\$ 182	\$ 34	\$ 366	\$ 57
Asset Retirement Obligation accretion	-	1	1	1
Amortization of deferred credit	-	40	(15)	-
Net depletion and depreciation	\$ 182	\$ 75	\$ 352	\$ 58
per BOE	\$ 6.79	\$ 6.97	\$ 6.31	\$ 3.01
Total - Company	\$ 1,668	\$ 800	\$ 2,867	\$ 1,529
per BOE	\$ 14.59	\$ 11.04	\$ 13.72	\$ 10.44

The higher depletion rate reflects the poor finding costs reported in 2003. These rates will continue at the current level until such time as the finding costs are significantly reduced.

Liquidity and Capital Resources

Diaz completed the six months ended June 30, 2004 with a net debt of \$7.9 million compared with \$10.0 million in 2003. The Company has a credit facility of \$9.6 million.

The Company's capital expenditure budget for 2004 will be funded primarily from cash flow.

Income Taxes

Diaz reports future tax expense of \$638,000 and current capital taxes of \$5,000. The Company does not anticipate being taxable in 2004, however, Diaz may be taxable on its earnings in 2005.

Issuer Bid

During the six months ended June 30, 2004, Diaz repurchased 179,500 Multiple Voting Shares and 41,000 Class A Subordinate Voting Shares and at an average price of \$0.58 per share.

Business Risk

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

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

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

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

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

Consolidated Balance Sheet

(unaudited)

(Restated-Note2)

(Thousands)

June 30 December 31

As at	2004	2003
ASSETS		
Current Assets		
Cash	\$ 1,620	\$ 124
Accounts receivable	3,595	4,517
Prepaid expense	223	200
	5,438	4,841
Future tax asset	-	70
Property, plant and equipment	55,737	50,467
Accumulated depletion and depreciation	(17,924)	(15,112)
	37,813	35,355
Total Assets	\$ 43,251	\$ 40,266
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,652	\$ 6,510
Bank debt (Note 3)	8,668	5,431
	13,320	11,941
Other Liabilities		
Future income tax liability	4,870	4,309
Deferred credits	-	15
Asset retirement obligation (Note 6)	2,493	2,405
Total Other Liabilities	7,363	6,729
	20,683	18,670
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	15,310	15,303
Contributed surplus (Note 4)	274	198
Retained earnings	6,984	6,095
	22,568	21,596
Total Liabilities and Shareholders' Equity	\$ 43,251	\$ 40,266

Approved by the Board:

(Signed) "R.W. Lamond" Director

(Signed) "C.A. Teare" Director

Consolidated Statement of Operations & Retained Earnings

(unaudited)

(Thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<i>(Restated-Note2)</i>		<i>(Restated-Note2)</i>	
	2004	2003	2004	2003
Revenue				
Production	\$ 4,733	\$ 2,741	\$ 8,646	\$ 5,782
Royalties	(1,019)	(566)	(1,860)	(1,213)
Alberta Royalty Tax Credit	104	40	144	87
	3,818	2,215	6,930	4,656
Expenses				
Operating	930	496	1,664	1,026
General and administration	301	230	647	539
Interest expense	96	132	177	251
Foreign exchange loss (gain)	(4)	29	(18)	54
Depletion and depreciation	1,667	744	2,867	1,487
	2,990	1,631	5,337	3,357
Earnings before income tax	828	584	1,593	1,299
Income tax				
Current	(11)	60	5	60
Future	479	(215)	638	34
Total income tax	468	(155)	643	94
Net earnings for the period	360	739	950	1,205
Excess of cost over paid up capital on share repurchases	(44)	-	(62)	(7)
Retained earnings, beginning of period	6,512	4,449	6,067	3,979
Change in accounting policy (Note 2)	156	192	29	203
Retained earnings, end of period	\$ 6,984	\$ 5,380	\$ 6,984	\$ 5,380
Earnings per share, basic and diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.03

Consolidated Statement of Cash Flows

(unaudited)

(Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<i>(Restated-Note2)</i>		<i>(Restated-Note2)</i>	
	2004	2003	2004	2003
Cash provided by (used for):				
Operating Activities				
Earnings for the period	\$ 360	\$ 739	\$ 950	\$ 1,205
Non-cash items:				
Depreciation and depletion	1,667	744	2,867	1,487
Non-cash compensation	38		76	
Future taxes	479	(215)	638	34
Foreign exchange loss (gain)	(4)		(18)	25
Cash flow from operations	2,540	1,268	4,513	2,751
Change in non-cash working capital	(1,226)	(636)	(1,116)	(651)
	1,314	632	3,397	2,100
Investing Activities				
Property, plant & equipment - additions	(2,348)	(957)	(5,277)	(2,517)
Property, plant & equipment - dispositions	-	-	17	268
Change in non-cash working capital	2,132	(463)	173	(436)
	(216)	(1,420)	(5,087)	(2,685)
Financing Activities				
Increase in bank debt	(352)	734	3,237	609
Class A Subordinate Voting Shares				
Issued for cash on exercise of options	2	-	77	-
Repurchased for cancellation	(20)	-	(20)	(45)
Class B Multiple Voting Shares				
Repurchased for cancellation	(68)	-	(108)	(1)
Offering cost	(2)	-	(2)	(1)
	(438)	734	3,186	563
Increase (decrease) in cash	660	(54)	1,496	(22)
Cash, beginning of period	960	170	124	138
Cash, end of period	\$ 1,620	\$ 116	\$ 1,620	\$ 116
Supplementary Information Regarding Cash Payments:				
Interest paid during the period	\$ 95	\$ 132	\$ 176	\$ 251
Taxes paid during the period	\$ (11)	\$ 38	\$ 5	\$ 38

Notes to the Interim Financial Statements

For the Six Months Ended June 30, 2004

1. Accounting Policies

The interim consolidated financial statements of Diaz Resources Ltd. (“Diaz”) have been prepared in accordance with accounting principles generally accepted in Canada. Management has made the necessary estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses in the preparation of the financial statements. Accordingly, actual results may differ from estimated amounts but management does not believe such differences will materially affect Diaz’s financial position or results of operations. Certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been condensed or omitted. The reader should refer to the annual consolidated financial statements of Diaz at December 31, 2003.

2. Change in Accounting Policy

a) Asset retirement obligations

As at January 1, 2004, the Company has retroactively adopted the Canadian Institute of Chartered Accountants (“CICA” guideline for accounting for asset retirement obligation - “ARO”). Under this standard, the Company must recognize the fair value of an 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 will also be expensed.

Previously, the Company provided for estimated future abandonment and site restoration costs for its oil and gas properties using the unit-of-production method. The adoption of the new policy resulted in increasing retained earnings at December 31, 2003 by \$226,000 (2002 - (\$203,000)), and a decrease in the earnings for the six months ended June 30, 2003 of \$6,000. An additional effect of this change is an increase to property, plant and equipment of \$2,147,000 at December 31, 2003 (2002 - \$1,913,000) and an increase to liabilities of \$1,921,000 (2002 - \$1,710,000) at December 31, 2003.

b) Stock based compensation

At January 1, 2004, the Company adopted the fair value method for accounting of stock based compensation. The change was accounted for retroactively without restatement of prior period numbers. Using the fair value method, compensation costs of stock based compensation are estimated and charged to earnings in the period of the option grant.

Previously, the Company used the intrinsic value method and no compensation expense was recognized.

As a result of this change in accounting policy, retained earnings at January 1, 2004 have been decreased by \$198,000 and share surplus has been increased by \$198,000.

c) Oil and gas full cost accounting

As at January 1, 2004, the Company adopted Accounting Guideline 16, “Oil and Gas Accounting – Full Cost” (“AcG-16), replacing AcG-5. AcG-16 provides for methodology consistent with

CICA Section 3063, "Impairment of Long-lived Assets" and CICA Section 3475, "Disposal of Long-lived Assets and Discontinued Operations."

The new standards prescribed the recognition of impairment only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and measure the impairment amount as the difference between the carrying amount and the fair value. In addition, discontinued operations disclosure will be required upon the disposition of a component or cost centre of the entity rather than an entire business segment. There was no effect on the Company's financial statements.

3. Long-term Debt

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.

4. Share Capital

<i>(Thousands)</i>	June 30, 2004	
	No. of Shares	Amount
Class A Subordinate Voting Shares		
Balance, December 31, 2003	51,104	\$ 13,459
Issued on exercise of options	285	77
Offering expense	-	(2)
Repurchased for cancellation	(41)	(13)
Balance, June 30, 2004	51,348	\$ 13,521
Class B Multiple Voting Shares		
Balance, December 31, 2003	6,174	\$ 1,844
Repurchased for cancellation	(180)	(55)
Balance, June 30, 2004	5,994	\$ 1,789
Contributed Surplus		274
Total Shares Outstanding, June 30, 2004	57,342	\$ 15,584

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 take-over 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.

Conversion Provisions

In the event of a take-over 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.

Stock Option Plan

As at June 30, 2004, there are a total of 3,003,333 options granted and outstanding under the stock option plan with a weighted average exercise price of \$0.31 per share. A total of 2,535,700 options with a weighted average exercise price of \$0.31 are exercisable at the end of the period.

The Company accounts for its stock based compensation plan using the fair value method, whereby compensation costs are charged to earnings in the period in which they are incurred.

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 – 3.00%; Expected lives (years) – 4.00; Expected volatility – 0.90 and Dividends per share – nil.

5. Financial Instruments

The Company is exposed to fluctuations in commodity prices, interest rates and Canada/U.S. dollar exchange rates. The Company, when appropriate, utilizes financial instruments to manage its exposure to these risks.

Natural gas contracts

At June 30, 2004, the following fixed price contracts were in effect:

Fixed Price

Volume	Fixed Price		Time Period for Contract
	(\$/GJ)	(\$/Mcf)	
500 GJd (475 Mcfd)	\$5.76	\$6.05	July 1, 2004 to Oct. 31, 2004
500 GJd (475 Mcfd)	\$5.77	\$6.06	July 1, 2004 to Oct. 31, 2004

Costless Collar

Volume	Floor Price		Ceiling Price		Time Period for Contract
	(\$/GJ)	(\$/Mcf)	(\$/GJ)	(\$/Mcf)	
1,000 GJd (950 Mcfd)	\$5.50	\$5.80	\$6.10	\$6.44	July 1, 2004 to Oct. 31, 2004
1,000 GJd (950 Mcfd)	\$6.40	\$6.72	\$7.40	\$7.77	Nov. 1, 2004 to Mar. 31, 2005
1,000 GJd (950 Mcfd)	\$6.50	\$6.83	\$7.87	\$8.26	Nov. 1, 2004 to Mar. 31, 2005

6. Asset Retirement Obligation

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

	2004		2003	
Asset Retirement Obligation, beginning of period	\$	2,405	\$	2,112
Liabilities incurred		160		63
Liabilities settled		(150)		(23)
Accretion expense		85		78
Foreign exchange		(7)		(18)
Asset Retirement Obligation, end of period	\$	2,493	\$	2,212

The total undiscounted amount of estimated cash flows required to settle the obligation is \$4,476,000, which has been discounted using a credit-adjusted risk free rate of 7 percent. Most of these obligations are expected to be paid between 2002 and 2022.

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.

	Three Months Ended June 30		Six Months Ended June 30	
	(Thousands) 2004	(Restated-Note2) 2003	2004	(Restated-Note2) 2003
Revenue (net)				
Canada	\$ 2,921	\$ 1,987	\$ 5,149	\$ 4,074
United States	896	280	1,781	582
	\$ 3,817	\$ 2,267	\$ 6,930	\$ 4,656
Interest Expense				
Canada	\$ 96	\$ 132	\$ 177	\$ 251
United States	-	-	-	-
	\$ 96	\$ 132	\$ 177	\$ 251
Current Taxes				
Canada	\$ (11)	\$ 60	\$ 5	\$ 60
United States	-	-	-	-
	\$ (11)	\$ 60	\$ 5	\$ 60
Cash Flow from Operations				
Canada	\$ 1,688	\$ 1,050	\$ 2,807	\$ 2,241
United States	852	218	1,706	510
	\$ 2,540	\$ 1,268	\$ 4,513	\$ 2,751
Depletion and Depreciation				
Canada	\$ 1,485	\$ 669	\$ 2,515	\$ 1,429
United States	182	75	352	58
	\$ 1,667	\$ 744	\$ 2,867	\$ 1,487
Net Earnings (Loss)				
Canada	\$ (37)	\$ 660	\$ 123	\$ 1,017
United States	395	79	825	188
	\$ 358	\$ 739	\$ 948	\$ 1,205
Additions to Property, Plant & Equipment				
Canada	\$ 2,248	\$ 655	\$ 4,538	\$ 1,920
United States	260	364	899	659
	\$ 2,508	\$ 1,019	\$ 5,437	\$ 2,579
Identifiable Assets, Net				
Canada	\$ 38,298	\$ 30,710	\$ 38,298	\$ 30,710
United States	4,953	2,552	4,953	2,552
	\$ 43,251	\$ 33,262	\$ 43,251	\$ 33,262

Diaz is a Calgary based oil and gas exploration Company with production in Alberta, Saskatchewan and Texas. Diaz is currently focused on exploring for natural gas in Alberta.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Robert W. Lamond, Chairman – or – Charles A. (Tony) Teare, Executive Vice President

DIAZ RESOURCES LTD.

Telephone: (403) 269-9889

Fax: (403) 269-9890

Website: www.diazresources.com

Email: info@diazresources.com

TSX: DZR.a / DZR.b

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.

**THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR
THE ADEQUACY OR ACCURACY OF THIS RELEASE.**