



The following is for immediate release in Canada, Monday, August 14, 2006

**DIAZ REPORTS IMPROVED FINANCIAL & OPERATING RESULTS
FOR FIRST SIX MONTHS OF 2006**

Diaz today reported on its financial and operating results for the first half of 2006.

At the beginning of the second quarter, the downward trend of natural gas prices, both in Canada and the U.S., resulted in the Company's management curtailing its capital expenditure program. Hence, in Canada, Diaz ceased its shallow gas drilling program and delayed a major pipeline expansion at Jaslan, Alberta. In the U.S., the Company continued its completion operations while delaying the contracting of a rig for new projects until this fall.

With the onset of extremely warm weather in the U.S., gas prices have rebounded significantly, with winter gas prices remaining strong. As a result of this more positive outlook and a hedge of a portion of the Company's Canadian gas production for the winter months, Diaz now plans to recommence its drilling program and to install the Jaslan pipeline for an October startup date.

Financial

Revenue for the six months ended June 30, 2006 totaled \$8.5 million compared with \$7.7 million one year earlier.

Cash flow for the period increased by 20% to \$5.5 million, or \$0.09 per share compared with \$4.6 million, or \$0.08 per share in 2005. Diaz reported earnings for the six months ended June 30, 2006 of \$2.4 million, or \$0.04 per share compared with \$1.2 million, or \$0.02 per share reported in 2005.

Capital expenditures for the period totaled \$6.8 million compared with \$5.1 million in 2005 and were financed from cash flow and out of the proceeds of an equity financing completed in December 2005. Diaz completed the first half of 2006 with net debt of \$8.7 million and debt repayability, annualized, from cash flow from operations of approximately 0.8 years.

Operating

Natural gas production for the six months ended June 30, 2006 increased to 6.3 MMcfd from 6.1 MMcfd for the same period in 2005 and oil production declined marginally to average 149 Bopd for the period compared with 153 Bopd for the same period in 2005.

Natural gas production for the second quarter of 2006 averaged 6.4 MMcfd compared with 6.2 MMcfd for the first quarter of 2006. Oil production averaged 141 Bopd for the second quarter compared with 157 Bopd in Q1 2006. Total production averaged 1,216 BOEd in Q2 2006 compared with 1,196 BOEd in Q1 2006.

.../2

Forward-looking statements – the press release today contains “forward-looking” information. Actual results could differ materially from the conclusions, forecasts or projections in the forward-looking information. Certain material factors and assumptions were applied in drawing the conclusions or making the forecasts or projections as reflected in the forward-looking information. Additional information about the material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information and the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection as reflected in the forward-looking information is contained in the press release.

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



DIAZ RESOURCES LTD.

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

- 2 -

Gas production in the United States averaged 3.2 MMcfd for the first half of 2006 compared with 2.1 MMcfd in 2005 despite being lower than anticipated as a result of shutdowns due to a requirement to upgrade certain production facilities at the Company's Provident City gas field. In addition, gas flow rates from the Allen Ranch and Hound Dog fields were restricted while additional completion operations were being conducted on these wells.

Production testing of the initial Allen Ranch well is still ongoing, with the new zone currently producing at 4.2 MMcfd and a cumulative production from this zone of almost 1 Bcf. The Company anticipates that operations to commingle the four productive Wilcox zones in this well will commence later this month.

The second Allen Ranch well is currently producing at 2.1 MMcfd from the third productive Wilcox zone completed to-date. Diaz also plans to commingle the productive zones in this well later this year.

2006 Guidance

The decline in the natural gas price during the first half of 2006 has resulted in Diaz reducing its natural gas price forecast and consequently its planned capital budget for 2006 has been reduced. The Company has revised its gas price forecast, in Canada, to average between \$5.00 and \$6.00 for the last six months of 2006. Although gas prices have recently increased, the Company will refrain from increasing its forecast until it determines if this increase is sustainable. This results in the following range of guidance:

- Production 1,300 to 1,400 BOEd
- Cash flow (millions) \$11.0 to \$12.0
- Capital expenditures (millions) \$13.0 to \$14.0

SEDAR Filings

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

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.

Financial Reporting – All numbers are reported in Canadian dollars.

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

.../3

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- 3 -

Summary of Operations

(Unaudited)

Six Months Ended June 30

(Thousands, except per share amounts)

	2006	2005
Financial		
Total revenue	\$ 8,530	\$ 7,689
Cash flow from operations	\$ 5,518	\$ 4,560
per share, diluted	\$ 0.09	\$ 0.08
Earnings for the period	\$ 2,360	\$ 1,221
per share, diluted	\$ 0.04	\$ 0.02
Capital additions	\$ 6,770	\$ 5,078
Dispositions	\$ -	\$ 50
Net debt	\$ 8,701	\$ 9,604
Total assets	\$ 55,892	\$ 48,563
Operations		
Production		
Gas (MMcfd)	6.3	6.1
Oil (Bopd)	149	153
BOEd (6Mcf = 1Bbl)	1,206	1,166
Product Prices		
Gas (\$/Mcf)	\$ 7.63	\$ 7.21
Oil (\$/Bbl)	\$ 64.31	\$ 56.46
Total shares outstanding, at period end	61,850	59,802

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

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