Astro Diamond Mines N.L.

ABN 96 007 090 904

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2005

HIGHLIGHTS

- Further assessment of the airborne electromagnetic (EM) survey at the Foelsche Project has been completed. High quality EM targets are located in the headwaters of drainages containing diamonds and kimberlite indicator minerals.

- Follow up ground gravity survey over selected airborne anomalies has resulted in the delineation of gravity anomalies often coincident with the EM anomalies. Many of these high quality anomalies provide much better detail within the areas of interest. The anomalous sites occur as discreet saucer-shaped depressions filled with sand.

- Seven high quality EM anomalies were also defined at the Selby prospect 130 kilometres to the east. These appear to be aligned along a northwest trending structure, and occur in areas containing macrodiamonds and microdiamonds in nearby drainages. A second-order cluster of anomalies are evident in the southern portion of the survey area.

INTRODUCTION

The Foelsche and Selby areas constitute part of Astro Diamond Mines' ("the Company's") Calvert Hills landholding in the Gulf country of the Northern Territory. This land package covers over 8,000 square kilometers of diamond prospective terrain.

The Foelsche project area is located less than 20 kilometres east of the Merlin diamond field held by North Australian Diamonds Ltd. The Selby prospect area is approximately 130 kilometres to the east.

Portions of these prospects have recently been surveyed using airborne electromagnetic geophysical techniques (EM) with highly encouraging results. Numerous anomalies were found to occur within areas drained by streams containing significant kimberlite indicator minerals.

Selected airborne anomalies in various settings were recently followed up with detailed ground gravity surveys. The results of the gravity survey have defined several outstanding coincident gravity anomalies showing much greater detail than the airborne survey. These results are considered to be very encouraging. Government requirements will need to be met before access and drilling can be carried out next year.

Other holdings in the district include areas adjacent to the Abner Range discoveries of Gravity Diamonds Ltd, and a large position at the Cox project area, 230 kilometres to the west. The Cox project area consists of more than 9,200 square kilometers of terrain that is also prospective for diamonds. Microdiamonds, macrodiamonds and chromites were recovered by previous explorers in the Broadmere area within the Cox project. It is envisaged that an airborne electromagnetic survey can be flown over this area in the next field season.

The Company holds prospective tenements in Western Australia adjacent to the Argyle Diamond mine, and to the west in the Ellendale area. Three prospecting licenses cover the Lissadell Dykes, which are diamond-bearing lamproite bodies, adjacent to the Argyle Diamond mine. An exploration license has recently been granted along strike of the Ellendale Lamproite Field. Review of previous work suggests the presence of gravity anomalies along strike from Ellendale 4, and adjacent to the controlling Oscar Range fault system.

REVIEW OF PROJECTS

Merlin Regional Projects

Calvert Hills Project

Foelsche Prospect

This prospect lies within the Calvert Hills group of tenements held by the Company, and is located 15-20 kilometres east of the Merlin kimberlite field. Stream sampling by previous explorers recovered macrodiamonds at three sites and microdiamonds at ten sites. Chromite grains were recovered from 48 sites within the area, many with numerous grains in one sample. Additional open file database searches have provided the locations of one pyrope garnet, five chrome diopsides, and eight picro-ilmenites, which are proximal indicator minerals for kimberlites. Importantly, the distribution of these indicator minerals correlates well with the diamond and chromite distributions.

A detailed helicopter-borne electromagnetic (EM) survey was completed at the Foelsche project area for 1,788 line kilometres. The survey was designed to cover those areas with the best dispersion trails of diamonds and indicator minerals.

The survey has located several groups of anomalies which display pipe-like responses. They are circular to oval in plan view, typically 100 to 200 metres across, and are manifested as conductors within resistive sandstone host rocks. Interpretation of stacked profiles suggests good vertical continuity of the responses.

The groups of responses are located in areas which are drained by combinations of diamonds, chromites and other kimberlite indicator minerals. Controlling structural trends can be discerned within a group, with anomalies aligned along northwest orientations in particular.

A detailed ground gravity study was recently completed over selected EM anomalies within several of the groups. This program has located gravity responses coincident with the EM anomalies, and since the data acquisition was more closely spaced, provides greater detail and better target resolution. One of the coincident gravity responses measures 300x500 metres, and there are a number of smaller anomalies within the group remaining to be examined.

It is very encouraging that high quality EM responses as well as coincident gravity features are being located in areas with highly anomalous drainage sample results. Ground examination has revealed that the anomalies tested to date occur as discreet saucer-shaped depressions filled with sand. This type of feature is expected in this highly weathered terrain.

Following the wet season and receipt of the necessary government approvals, access roads to drilling sites will be constructed and drilling will commence on the high priority targets.

Selby Prospect

The Selby prospect area is located 125 kilometres east of Foelsche and is similarly characterized by macrodiamonds, microdiamonds, and chromites shedding from discreet areas. Access to this area is very difficult and to date has only been completed by helicopter.

An airborne EM survey was also carried out over the principal areas with indicator minerals, and consisted of 1,392 line kilometres. Initial examination of the results indicates the presence of several typical high quality anomalies within areas of anomalous drainages, and also along northwest trends.

These results are also considered very encouraging. Further office assessment will be carried out over the wet season period, and ground gravity surveys are planned for the next field season.

Cox Project

Broadmere Prospect

The Broadmere prospect is located within the Cox group of tenements, which are centred 230 kilometres northwest of the Merlin field. Evaluation of target areas has continued, with ongoing consolidation of the extensive tenement area into a more manageable package. Three macrodiamonds and numerous microdiamonds have been recovered by previous explorers from two broad areas within the Broadmere prospect. It is envisaged that these two broad areas will constitute the beginning of further detailed airborne surveys in the next field season.

Kimberley Projects

Argyle Dykes Prospect

The Argyle Dykes tenements are located immediately west of the Argyle diamond mine. Previous explorers identified a number of lamproite dykes, and subsequent trial bulk sampling found them to contain diamonds. Thin lamproite dykes are also evident at Hadrian's Wall approximately 2 kilometres to the west.

Surface geochemistry sampling was completed over a grid in the area between Hadrian's Wall to the west and the Lissadell Dykes, and over discreet magnetic anomalies. The results have not returned significant rare earth or base metal geochemistry.

Ellendale Prospect

The Ellendale prospect is also of interest due to its proximity to the exploration and mining operations of Kimberley Mining Company. The Ellendale tenement straddles the Oscar Range fault and associated structures and covers areas along strike from the Ellendale 4 pipe, which has recently been approved for development.

Examination of previous exploration reports found that a base metal explorer completed a ground gravity program there some years ago, leading to the delineation of several anomalies within the tenement.

The tenement has recently been granted and the necessary government requirements will need to be met before exploration can take place. Selected ground geophysical surveys are being considered for this prospect.

The technical information in this report has been reviewed and approved by Mr K Washburn who is a member of the Australasian Institute of Mining and Metallurgy and has more than 27 years experience in the industry.

Attached is a copy of the Company's Mining Exploration Entity Quarterly Report in accordance with Listing Rule 5.3.

J.I. Gutnick

J I GUTNICK
Chairman & Managing Director
30 January 2006

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ASTRO DIAMOND MINES N.L.

ABN	Quarter ended ("current quarter")
96 007 090 904	31 December 2005

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	YTD (6 Months) $A'000
1.1	Receipts from product sales and related debtors		-	-
1.2	Payments for	(a) exploration and evaluation	(186)	(710)
		(b) development	-	-
		(c) production	-	-
		(d) administration	(87)	(240)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		16	40
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Other (provide details if material)		-	-
	Net Operating Cash Flows		(257)	(910)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	-	-
			-	
1.9	Proceeds from sale of:	(a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	1	1
1.10	Loans to other entities		-	-
1.11	Loans repaid by other entities		-	-
1.12	Other (provide details if material)		-	-
	Net investing cash flows		1	1
1.13	Total Operating and investing cash flows (carried forward)		(256)	(909)

1.13	Total operating and investing cash flows (brought forward)	(256)	(909)

+ See chapter 19 for defined terms.

	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	31	2,660
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	241	241
1.17	Repayment of borrowings	(817)	(1,541)
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Costs incurred under 1.14	(100)	(114)
	Net financing cash flows	(645)	1,246
	Net increase (decrease) in cash held	(901)	337
1.20	Cash at beginning of quarter/year to date	1,857	619
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	956	956

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	40
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

-

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Quarter ended 31 December 2005

Shares and options were issued as part payment of commission on share placement along with cash.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Refer attached.	Refer attached.
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	600
4.2	Development	-
	Total	**600**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	956	1,857
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	956	1,857

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		-		
6.2	Interests in mining tenements acquired or increased		See attached		

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	-	-	-	-
7.2	Changes during quarter (a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	**+Ordinary securities**	297,230,538	297,230,538	-	-
7.4	Changes during quarter (a) Increases through issues	1,500,000	1,500,000	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	**+Convertible debt securities** *(description)*	-	-	-	-
7.6	Changes during quarter (a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted.	-	-	-	-
7.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date*
		12,165,953	12,165,953	$0.75	23/12/2009
		13,565,356	-	$0.25	30/04/2012
		500,004	-	$0.822	24/03/2010
		256,667,356	256,667,356	$0.05	30/11/2012
7.8	Issued during quarter	1,500,000	1,500,000	$0.05	30/11/2012
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	**Debentures** *(totals only)*	-	-		
7.12	**Unsecured notes** *(totals only)*	-	-		

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: (Company Secretary) Date: 30 January 2006

Print name: Peter J. Lee

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 Appendix 5B has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS).

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

MINING EXPLORATION ENTITY QUARTERLY REPORT

ASTRO DIAMOND MINES N.L.
ABN 96 007 090 904
For Quarter Ended 31.12.2005
(referred to in this Statement as the "Current Quarter")

ADDITIONAL INFORMATION

Item 1.23 Payments to Other Entities

Some of the Directors of the Company are also Directors of AXIS Consultants Pty Ltd ("AXIS"). The Company does not consider AXIS to be a related party.

Item 7.7 Options

Listed

12,165,953 options maturing 23 December 2009 at an exercise price of $0.75 per option. Each option, upon exercise any time after 1 January 2001, will convert to one fully paid ordinary share.

256,667,356 options maturing 30 November 2012 at an exercise price of $0.05 per option. The options are exercisable any time after 1 July 2003. Each option convert to one fully paid ordinary share.

Unlisted

500,004 options maturing 24 March 2010, issued under the employee share option plan, have an exercise price of $0.822 per option. Upon exercise, each option will convert to one fully paid ordinary share. These options cannot be exercised until after 24 March 2003 and only at that time if the Company's share price on the ASX has increased by a factor of 20% over the price of the shares at the time the options were issued.

13,565,356 options maturing 30 April 2012 at an exercise price of $0.25 per option. The options are exercisable any time after January 1, 2003. Each option will convert to one, fully paid ordinary share.

+ See chapter 19 for defined terms.

ASTRO DIAMOND MINES N.L.

ACN 007 090 904

CHANGES IN INTERESTS IN MINING TENEMENTS

6.2 Interests in mining tenements aquired or increased.

Tenement reference	Nature of Interest (note(4))	Interest at beginning of quarter	Interest at end of quarter
ARGYLE DYKES			
E 80/3134	Company Acquisition	0.00%	100.00%
P 80/1525	Company Acquisition	0.00%	100.00%
P 80/1526	Company Acquisition	0.00%	100.00%
ARGYLE WEST			
E 80/3291	Company Acquisition	0.00%	100.00%