
Astro Diamond Mines N.L.

ABN 96 007 090 904

**REPORT TO SHAREHOLDERS
FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

**THIS REPORT SHOULD BE READ IN
CONJUNCTION WITH THE 2005 ANNUAL
FINANCIAL REPORT**

Astro Diamond Mines N.L.
ABN 96 007 090 904
Chairman's Report

15 March 2006

Dear Shareholder

Over the past few months, the Directors have considered the strategic direction of the Company's exploration activities and believe it appropriate to expand that direction to include diamond mining opportunities in Africa. With that in mind, recently the Company has been part of a syndicate of companies that have undertaken due diligence investigations into several existing diamond mining operations in Africa. In addition, the Company has taken a strategic investment in a new diamond company that is in the process of listing on the Alternate Investment Market in London. This investment will provide access to additional investment opportunities in African diamond mining companies.

As a result of this change in strategic direction, the Directors believe it is in the best interests of the Company to dispose of the Northern Territory project tenements to focus on South Africa..

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.

Corporate

During the half-year, the Company placed 50 million shares and options raising \$2,500,000 and a further 16 million options raising \$160,000.

The attached financial statements for the half year have been prepared for the first time in accordance with the new Australian Equivalents to International Financial Reporting Standards ("AIFRS"). As a result, readers will notice significantly different disclosures from those they are used to seeing. The implementation of AIFRS has not had a major financial impact on the Company. Management has spent many hours analysing the new standards and preparing the half yearly financial statements and I thank them for this work.



J.I. Gutnick
Chairman & Managing Director

The technical information in this report has been reviewed and approved by Mr K Washburn who is Member of the Australasian Institute of Mining & Metallurgy and who has over 26 years experience in the exploration field.

Astro Diamond Mines N.L.
ABN 96 007 090 904
Directors' Report

The Directors of Astro Diamond Mines N.L. present their report for the half year ended 31 December 2005.

1. Directors

The Directors of the Company in office during the half year and at the date of this Report are:

Mr Joseph Gutnick FAusIMM FAIM MAICD
Chairman and Managing Director

Dr David Tyrwhitt PhD(Geology) BSc(Hons) FSEG(USA) FAusIMM CPGeo
Non-Executive Director

Mr Mordechai Gutnick
Non-Executive Director

2. Review and Results of Operations

The Company recorded a net loss of \$1,745,103 (2004: \$3,190,668) for the half-year ended 31 December 2005.

Objectives

The Company's objective is to increase shareholder wealth through successful exploration activities and mining activities whilst providing a safe workplace and ensuring best practice in relation to its environmental obligations.

Income Statement

Revenue

The Company as a mineral exploration group does not have an ongoing source of income. Revenue received is normally from adhoc investment and tenement disposals, interest from cash in bank, and one-off sales of exploration data.

In the 2005 half-year revenue has increased from \$52,628 in 2004 to \$64,057 in 2005 due to an increase in interest income.

Expenses

Expenses decreased from \$3,243,296 for the 2004 half-year to \$1,809,160 for the 2005 half-year. Exploration expenditure written off decreased from \$2,964,751 in 2004 to \$1,455,243 in 2005. Following the introduction of AIFRS, the group had to write down previously carried forward exploration expenditure on tenements that had not been granted and this has been accounted for progressively as circumstances required and expenditure on tenements now considered to be non-prospective has been written off. Administration costs increased from \$232,281 in 2004 to \$322,719 in 2005. External consultant costs increased from \$450 in 2004 to \$76,757 in 2005, the increase being the cost of due diligence carried out on investment opportunities and native title meetings; management fee and salaries charged by AXIS increased from \$170,699 in 2004 to \$194,392 in 2005 as a result of additional administration requirements after entity acquisitions in late 2004; and finance costs being interest on borrowings decreased from \$46,264 in 2004 to \$31,198 in 2005 as a result of repayment of borrowings in 2005.

The result is an operating loss of \$1,745,103 in 2005 compared to \$3,190,668 in 2004.

Astro Diamond Mines N.L.
Directors' Report

Balance Sheet

During the 2005 half-year the Group's cash balance increased from \$619,239 at 30 June 2005 to \$956,223 at 31 December 2005, receivables increased by \$684,395, and exploration costs capitalized decreased from \$1,930,143 in 2004 to \$1,176,482 in 2005, representing the write down in exploration expenditure on tenements now considered to be non-prospective.

Trade and other payables and borrowings reduced by \$531,622 to \$937,429.

Cash Flow

During the half-year to December 2005 the Group raised \$2,545,753 (net) from the issue of shares, repaid loans and borrowings of \$86,007, and paid \$1,351,725 in the normal course of operations including for exploration.

3. Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this Report.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 15th day of March 2006.



J I Gutnick
Director



Chartered Accountants
& Business Advisers

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INDEPENDENCE DECLARATION

**TO : THE DIRECTORS
ASTRO DIAMOND MINES N.L.**

As lead engagement partner for the review of Astro Diamond Mines N.L. for the half year ended 31 December 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF
Chartered Accountants

M L Port
Partner

15 March 2006
Melbourne

Astro Diamond Mines N.L.
 ABN 96 007 090 904
 Condensed Income Statement
 For the Half-Year Ended 31 December 2005

	Notes	Consolidated 2005 \$	Consolidated 2004 \$
Continuing Operations			
Finance revenue	3	59,030	128
Revenue		59,030	128
Other income	3	5,027	52,500
Exploration expenditure written off		(1,455,243)	(2,964,751)
Administration expenses		(322,719)	(232,281)
Finance costs	3	(31,198)	(46,264)
Loss before income tax		(1,745,103)	(3,190,668)
Income tax expense		-	-
Loss for the period after tax from continuing operations		(1,745,103)	(3,190,668)
Loss attributable to members		(1,745,103)	(3,190,668)
Earnings per share		Cents	Cents
Basic loss per share for the half-year attributable to ordinary equity holders	4	(0.60)	(2.18)
Diluted loss per share for the half-year attributable to ordinary equity holders	4	(0.60)	(2.18)

The condensed income statement should be read in conjunction with the accompanying notes to the condensed financial statements.

Astro Diamond Mines N.L.
Condensed Balance Sheet as at 31 December 2005

	Note	Consolidated As at 31 December 2005 \$	Consolidated As at 30 June 2005 \$
ASSETS			
Current Assets			
Cash and cash equivalents		956,223	619,239
Receivables		784,878	100,483
Inventories		4,000	4,000
Other current assets		-	2,064
Total Current Assets		1,745,101	725,786
Non-Current Assets			
Exploration expenditure		1,176,482	1,930,143
Receivables		14,000	14,000
Total Non-Current Assets		1,190,482	1,944,143
TOTAL ASSETS		2,935,583	2,669,929
LIABILITIES			
Current Liabilities			
Trade and other payables		937,429	1,383,044
Short-term borrowings		-	86,007
Total Current Liabilities		937,429	1,469,051
TOTAL LIABILITIES		937,429	1,469,051
NET ASSETS		1,998,154	1,200,878
EQUITY			
Issued capital	5	45,709,560	43,353,529
Reserves		1,620,889	1,434,541
Accumulated losses		(45,332,295)	(43,587,192)
TOTAL EQUITY		1,998,154	1,200,878

The condensed balance sheet should be read in conjunction with the accompanying notes to the condensed financial statements

Astro Diamond Mines N.L.
Condensed Cash Flows Statement for the Half Year Ended 31 December 2005

	Consolidated 2005 \$	Consolidated 2004 \$
Cash flows from operating activities		
Interest revenue	40,067	431
Payments in the course of operations	(641,844)	(225,496)
Borrowing costs paid	(878)	(4,869)
Net cash (used in) operating activities	(602,655)	(229,934)
Cash flows from investing activities		
Payments for exploration expenditure	(709,881)	(8,554)
Proceeds from disposal of assets	1,198	-
Advance to other entity	(1,053,015)	-
Repayment by other entity	241,591	-
Net cash (used in) investing activities	(1,520,107)	(8,554)
Cash flows from financing activities		
Proceeds from issue of securities	2,660,000	-
Transaction costs on issue of shares and options	(114,247)	(13,999)
Proceeds from borrowings	-	250,759
Repayment of borrowings	(86,007)	(200,000)
Net cash provided by financing activities	2,459,746	36,760
Net increase/(decrease) in cash held	336,984	(201,728)
Cash and cash equivalents at beginning of period	619,239	208,232
Cash and cash equivalents at end of period	956,223	6,504

The condensed cash flows statement should be read in conjunction with accompanying notes to the condensed financial statements.

Astro Diamond Mines N.L.
Condensed Statement of Changes in Equity for the Half-Year Ended
31 December 2005

Consolidated	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity (Deficiency) \$
At 1 July 2004	37,347,178	(38,557,531)	371,364	(838,989)
Net loss on available-for-sale financial assets	-	-	(4,490)	(4,490)
Total income and expense for the period recognised directly in equity	-	-	(4,490)	(4,490)
Loss for the period	-	(3,190,668)	-	(3,190,668)
Total recognised income / expense for the period	-	(3,190,668)	(4,490)	(3,195,158)
Issue of equity for acquisition of Boldhill Holdings Pty Ltd	2,400,000	-	1,076,000	3,476,000
Cost of share-based payment	45,000	-	-	45,000
Equity transaction costs	(7,914)	-	(6,436)	(14,350)
At 31 December 2004	39,784,264	(41,748,199)	1,436,438	(527,497)
At 1 July 2005	43,353,529	(43,587,192)	1,434,541	1,200,878
Loss for the period	-	(1,745,103)	-	(1,745,103)
Total recognised income / expense for the period	-	(1,745,103)	-	(1,745,103)
Issue of share capital	2,560,000	-	190,000	2,750,000
Equity transaction costs	(203,969)	-	(3,652)	(207,621)
At 31 December 2005	45,709,560	(45,332,295)	1,620,889	1,998,154

The condensed statement of changes in equity should be read in conjunction with the accompanying notes to the condensed financial statements.

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS

Astro Diamond Mines N.L. (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the half-year ended 31 December 2005 comprises the Company and its controlled entities ("the Group").

The consolidated financial report was authorised for issue by the Directors on 15 March 2006.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Astro Diamond Mines N.L. as at 30 June 2005, which was prepared based on Australian Accounting standards applicable to financial periods beginning before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by Astro Diamond Mines N.L. and its controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "*Interim Financial Reporting*" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. The Company has elected to early adopt the accounting standard AASB 6 "*Exploration for and Evaluation of Mineral Resources*".

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 9. The note includes reconciliations of equity and profit and loss for comparative periods reported under Australian GAAP (previous GAAP) to those periods under AIFRS.

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies

(i) Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(ii) Foreign currency translation

Both the functional and presentation currency of the Group is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange rate differences in the financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Finance Interest

Interest revenue is recognised as the interest accrues.

(iv) Finance costs

Financing costs comprise interest payable on borrowings. Interest is recognised as an expense when incurred.

(v) Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(vi) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies (Cont'd.)

(vii) Other receivables

Other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(viii) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset of a cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(ix) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current tax is the expected tax payable on the taxable income for the period. The Company has not derived taxable income in either the current or previous periods.

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies (Cont'd.)

Deferred income tax is determined using the balance sheet method which calculates temporary differences on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(x) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(xi) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies (Cont'd.)

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

Accounting policy applicable for the six months ending 31 December 2004.

Investments in other listed entities were measured at the lower of cost and net realisable value and determined in respect of each security holding. The effect of the change in this accounting policy to the current policy is set out in Note 9.

(xii) Exploration

Exploration expenditure is capitalised for each separate area of interest where rights to tenure are current and:

- (a) such costs are expected to be recovered through successful development and exploitation or by sale; or
- (b) where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

The carrying values of expenditures carried forward are reviewed for impairment at each reporting date when the facts, events or changes in circumstances indicate that the carrying value may be impaired. Accumulated expenditures are written off to the income statement to the extent to which they are considered to be impaired.

Accounting policies applicable for the six months ending 31 December 2004.

The accounting policy was the same as described above with the exception that costs incurred on tenements prior to the granting of tenure were carried forward subject to impairment testing at each reporting date.

The effect of the change in this accounting policy to the current policy is set out in Note 9.

(xiii) Trade and other payables

Trade and other payables are stated at cost.

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies (Cont'd.)

(xiv) Interest-bearing borrowings (related party)

Interest-bearing borrowings are recognised at cost. After initial recognition interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value, if any, being recognised in the income statement over the period of the borrowings on an effective interest basis.

(xv) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

2. SEGMENT INFORMATION

The principal business and geographical segment of the Group is mineral exploration within Australia.

3. REVENUE AND EXPENSES

	Consolidated 2005 \$	2004 \$
Specific Items		
Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
(i) Finance revenue		
Interest		
Other Entity	24,710	-
Other	34,320	128
Total finance revenue	59,030	128
(ii) Other income		
Sundry income	5,027	52,500
Total other income		
(iii) Finance Costs		
Borrowing costs		
Related Parties	878	28,820
Other Entity	-	4,855
Other	30,320	13
Equity line of credit agreements costs	-	12,576
Total finance costs	31,198	46,264

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

4. EARNINGS (LOSS) PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2005 was based on the loss attributable to ordinary shareholders of \$1,745,103 (six months ended 31 December 2004: loss \$3,190,668 consolidated) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2005 of 288,458,798 (six months ended 31 December 2004: 135,425,182) calculated as follows:

	Consolidated 2005 \$	2004 \$
Profit attributable to ordinary shareholders		
For the six months ended 31 December 2005		
Loss for the period	(1,745,103)	(3,190,668)
	Number of shares	Number of shares
Weighted average number of ordinary shares		
For the six months ended 31 December		
Issued ordinary shares at 1 July	245,730,538	131,683,958
Effect of shares issued July	42,663,043	-
Effect of shares issued September	-	468,750
Effect of shares issued October	-	13,913,043
Effect of shares issued December	65,217	-
Weighted average number of ordinary shares at 31 December	288,458,798	146,065,751

Diluted earnings per share

There is no calculation of diluted earnings per share as the effect of converting "out of the money" options at reporting date would be anti-dilutive.

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

	Consolidated 31 December 2005 \$	30 June 2005 \$
5. ISSUED CAPITAL		
Ordinary shares		
Issued and fully paid	45,709,560	43,353,529
Movements in ordinary shares on issue	Number of shares	\$
At 1 July 2005	245,730,538	43,353,529
Placement of shares	50,000,000	2,500,000
Transaction costs on share issue	-	(202,281)
Shares issued as commission on share placement	1,500,000	60,000
Transaction costs on share issue	-	(1,688)
	297,230,538	45,709,560

6. COMMITMENTS

Exploration

Changes in existing commitments

As a result of the Mining Amendment Act 2005 assented to by the Western Australian Government on 12 December 2005 and effective 10 February 2006, the amounts which may be required to retain existing tenements have changed. These commitments are as follows:

Not later than one year	788,680	632,300
Later than one year but not later than five years	1,795,240	1,764,800
	2,583,920	2,397,100

7. CONTINGENT LIABILITIES

There has been no change since 30 June 2005

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

8. GOING CONCERN

The consolidated entity has incurred a loss of \$1,745,103 in the half-year to December 2005. The Financial Report has been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this basis to be appropriate. In addition to its current assets, on 7 September 2004, the Company announced that it had secured a \$3 million facility with a US-Based Investment Fund (the "Fund"). Under the terms of the facility, the Company may, at its discretion, issue shares to the Fund at any time over the next 36 months from 7 September 2004, up to a total of \$3 million. The Company may draw down up to \$50,000 in any five-day period. Shares issued will be priced at a 3% discount to the lowest daily VWAP of the Company shares traded on each of the five-day pricing period which follow an advance notice by the Company. A commission of 5 per cent will be payable by the Company at the time of issue. Furthermore, if shareholders approve the transaction set out in Note 10 and the transaction settles, the Company will receive a further \$1,500,000 and be reimbursed for expenditure on those tenements from 1 February 2006.

9. EXPLANATION OF TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with AGAAP. These financial statements for the half year ended 31 December 2005 are the first the Group is required to prepare in accordance with Australian equivalents to International financial Reporting Standards (AIFRS).

Accordingly the Group has prepared financial statements that comply with AIFRS, applicable for financial years beginning on or after 1 January 2005 and the significant accounting policies meeting these requirements are described in note 1. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 "First Time Adoption of AIFRS".

This note explains the principal adjustments made by the Group in restating the AGAAP balance sheet as at 1 July 2004, and its previously published AGAAP financial statements for the half-year ended 31 December 2004 and for the year ended 30 June 2005.

Exemptions Applied

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" as follows:

Designation of previously recognised financial instruments.

Financial instruments were designated as financial assets available for sale at the date of transition to AIFRS.

Share-Based Payment Transactions

AASB 2 "Share-Based Payments" is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate *comparative* information for AASB 132 and AASB 139. The Group has not elected to adopt this exemption and has applied AASB 132 "Financial Instruments: Presentation and Disclosure" and AASB 139 "Financial Instruments: Recognition and Measurement" to its comparative information.

Astro Diamond Mines N.L.
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AIFRS (Cont'd.)

Notes to the reconciliation of equity and profit

1. Exploration and Evaluation – AASB 6 – “*Exploration for and Evaluation of Mineral Resources*” was issued in December 2004.

As at 30 June 2004 and 2005, the carrying value was based on a review carried out by management and agreed upon by the Directors of the Company. The carrying value has been further adjusted to take into account expenditure on ungranted tenements except refundable rents where there is no underlying tenure. The adjustment to the carrying value of the asset at 30 June 2004 is a decrease of \$96,037, at 31 December 2004 a decrease by \$3,047,768, (cumulative) and at 30 June 2005, a decrease of \$135,098 (cumulative). Exploration expenditure written off as at 31 December 2004 increased by \$2,951,731 and at 30 June 2005 increased by \$39,061 due to the write off of expenditure on tenements classified as ungranted.

2. Impairment of Assets – The recoverable amount of non-current assets will be assessed as the higher of net selling price and value in use, on a discounted basis. The Company currently assesses recoverable amounts of non-current assets based on undiscounted future net cash flows. The Company's non-current assets (other than exploration and evaluation and receivable assets) are not material and therefore, the Company does not believe the impairment of assets test will have a material effect on the Company's financial position.
3. Property Plant and Equipment – The fair value of property, plant and equipment at 30 June 2004 and 31 December 2004 is not material. There was no property, plant and equipment at 30 June 2005.
4. Income Tax – The change from the calculation of deferred tax balances using the income statement method to the AIFRS compliant policy of using the balance sheet method has had no impact on recognised deferred tax balances or an income tax expense. Recoupment of the Company's and Group's carry forward tax losses cannot be considered probable as defined in AASB 112 “*Income Taxes*”, therefore deferred tax balances remain unrecognised as was the case under the “virtually certain” test under previous GAAP.
5. Share Based Payments – Under AASB 2 Share Based Payments, the Company is required to determine the fair value of options issued to employees as remuneration and recognise an expense in the income statement. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. No adjustment has been made for share based payments made prior to 1 January 2005 as the Company has elected not to re-calculate comparatives and it had not disclosed the fair value of those equity instruments, determined at measurement date, at the time.
6. Non Current Liabilities – Fair value is considered to approximate cost as interest is charged at commercial rates.
7. Available-for-sale Investments – The investments have been restated to fair value, quoted market price at the close of business on the balance sheet date. The adjustment to the carrying value of the asset at 30 June 2004 is an increase of \$6,387, at 31 December 2004 an increase of \$1,896 and as at 30 June 2005 no investments were held.
8. No material impacts occurred to the cash flows re-stated under AGAAP on adoption of AIFRS.

Astro Diamond Mines N.L.
Notes to the Financial Statements
For the Half-Year Ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AIFRS (Cont'd.)

Summary of transitional adjustments (continued)

The following table sets out the adjustments to the Balance Sheet of the Company at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative periods Balance Sheets as at 31 December 2004 and 30 June 2005.

	CONSOLIDATED 1 JULY 2004			CONSOLIDATED 31 DECEMBER 2004			CONSOLIDATED 30 JUNE 2005		
	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS
ASSETS									
<i>Current assets</i>									
Cash and cash equivalents	208,232	-	208,232	6,504	-	6,504	619,239	-	619,239
Receivables	11,497	-	11,497	128	-	128	100,483	-	100,483
Inventories	4,000	-	4,000	4,000	-	4,000	4,000	-	4,000
Other current assets	-	-	-	30,000	-	30,000	2,064	-	2,064
Total current assets	223,729	-	223,729	40,632	-	40,632	725,786	-	725,786
<i>Non-current assets</i>									
Available-for-sale investments	4,991	6,387	11,378	4,991	1,896	6,887	-	-	-
Other	-	-	-	47,426	-	47,426	-	-	-
Exploration expenditure	483,839	(96,037)	387,802	4,494,512	(3,047,768)	1,446,744	2,065,241	(135,098)	1,930,143
Receivables	114,000	-	114,000	14,000	-	14,000	14,000	-	14,000
Total non-current assets	602,830	(89,650)	513,180	4,560,929	(3,045,872)	1,515,057	2,079,241	(135,098)	1,944,143
Total assets	826,559	(89,650)	736,909	4,601,561	(3,045,872)	1,555,689	2,805,027	(135,098)	2,669,929

Astro Diamond Mines N.L.
Notes to the Financial Statements
For the Half-Year Ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AIFRS (Cont'd.)

Summary of transitional adjustments (Cont'd.)

Reconciliation of Equity continued

	CONSOLIDATED 1 JULY 2004			CONSOLIDATED 31 DECEMBER 2004			CONSOLIDATED 30 JUNE 2005		
	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS
LIABILITIES									
<i>Current liabilities</i>									
Trade and other payables	603,547	-	603,547	1,006,481	-	1,006,481	1,383,044	-	1,383,044
Short-term borrowings	-	-	-	25	-	25	86,007	-	86,007
Total current liabilities	603,547	-	603,547	1,006,506	-	1,006,506	1,469,051	-	1,469,051
<i>Non-current liabilities</i>									
Long-term borrowings	972,351	-	972,351	1,076,680	-	1,076,680	-	-	-
Total non-current liabilities	972,351	-	972,351	1,076,680	-	1,076,680	-	-	-
Total liabilities	1,575,898	-	1,575,898	2,083,186	-	2,083,186	1,469,051	-	1,469,051
Net assets (Deficiency)	(749,339)	(89,650)	(838,989)	2,518,375	(3,045,872)	(527,497)	1,335,976	(135,098)	1,200,878
EQUITY									
Issued capital	37,347,178	-	37,347,178	39,784,264	-	39,784,264	43,353,529	-	43,353,529
Reserves	364,977	6,387	371,364	1,434,542	1,896	1,436,438	1,434,541	-	1,434,541
Retained losses	(38,461,494)	(96,037)	(38,557,531)	(38,700,431)	(3,047,768)	(41,748,199)	(43,452,094)	(135,098)	(43,587,192)
Total equity (Deficiency)	(749,339)	(89,650)	(838,989)	2,518,375	(3,045,872)	(527,497)	1,335,976	(135,098)	1,200,878

Astro Diamond Mines N.L.
Notes to the Financial Statements
For the Half-Year Ended 31 December 2005

9. EXPLANATION OF TRANSITION TO AIFRS (Cont'd)

Summary of transitional adjustments (Cont'd.)

Reconciliation of loss for the half year ended 31 December 2004 and year ended 30 June 2005

	CONSOLIDATED 31 DECEMBER 2004			CONSOLIDATED 30 JUNE 2005		
	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS
Finance revenue	128	-	128	12,736	-	12,736
Other income	52,500	-	52,500	60,546	-	60,546
Exploration expenditure refunded	-	-	-	34,329	-	34,329
Exploration expenditure written off	(13,020)	(2,951,731)	(2,964,751)	(3,988,061)	(39,061)	(4,027,122)
Administration expenses	(232,281)	-	(232,281)	(477,837)	-	(477,837)
Stamp duty costs expensed	-	-	-	(477,351)	-	(477,351)
Finance costs	(46,264)	-	(46,264)	(149,971)	-	(149,971)
Carrying value of non current assets sold	-	-	-	(4,991)	-	(4,991)
Loss from continuing operations before income tax	(238,937)	(2,951,731)	(3,190,668)	(4,990,600)	(39,061)	(5,029,661)
Income tax expense	-	-	-	-	-	-
Loss after tax for the period	(238,937)	(2,951,731)	(3,190,668)	(4,990,600)	(39,061)	(5,029,661)
Loss attributable to members	(238,937)	(2,951,731)	(3,190,668)	(4,990,600)	(39,061)	(5,029,661)
Basic Earnings Per Share (cents)	(0.18)	-	(2.18)	(2.88)	-	(2.90)
Diluted Earnings Per Share (cents)	(0.18)	-	(2.18)	(2.88)	-	(2.90)

Astro Diamond Mines N.L.
Notes to the Financial Statements
For the Half-Year Ended 31 December 2005

10. EVENTS SUBSEQUENT TO BALANCE DATE

On 3 March 2006, the Directors announced the Company and Legend International Holdings Inc ("Legend") had entered into a Contract for the Sale of Mining Tenements dated 3 March 2006 to set out the terms of the sale of the Northern Territory Project Tenements to Legend. The Contract is conditional on the Company receiving Shareholder approval to the proposed sale. Mr JI Gutnick and Dr DS Tyrwhitt are directors of Legend and a company of which Mr JI Gutnick is a director and shareholder is the major shareholder of Legend. A summary of the terms is as follows:

1. The consideration payable by Legend is \$1,500,000 in cash.
2. Settlement is due 90 days after the Company's shareholders approve the sale, or earlier if the parties agree.
3. The Company has provided commercial warranties which are usual for a transaction of this nature in favour of Legend.
4. At settlement, Legend will reimburse the Company for all costs of exploration incurred by the Company on the Northern Territory Project Tenements after 1 February 2006.
5. The Company engaged Benson Partners Corporate Advisory Pty Ltd ("Benson Partners") to prepare an independent experts report and Benson Partners concluded that in their opinion, on balance, the transaction is fair and reasonable to non-associated shareholders.

Astro Diamond Mines N.L.
Directors' Declaration

In the opinion of the Directors of Astro Diamond Mines N.L. ("the Company"):

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 31 December 2005 and of its performance;
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a Resolution of the Directors at Melbourne this 15th day of March 2006.



J.I. Gutnick
Director



INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF ASTRO DIAMOND MINES N.L.

Chartered Accountants
& Business Advisers

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Scope

We have reviewed the financial report of Astro Diamond Mines N.L. for the half-year ended 31 December 2005 as set out in pages 5 to 23. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The auditor's independence declaration given to the directors would be in the same terms if it had been given at the time the review report was made.

Statement

Based on our review, which is not an audit, we have not become aware of any matters that makes us believe that the half-year financial report of Astro Diamond Mines N.L. is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

PKF

Chartered Accountants

M.L. Port
Partner

16 March 2006
Melbourne