



REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2006

INTRODUCTION

In Western Australia, the Company holds ground along strike on the same regional structure that controls the lamproite emplacement containing the new mine at Pipe 4 of the Kimberley Diamond Company N.L. ("KDC"). The Company is undertaking clearances for exploration activities at the Ellendale project which it believes has good potential for diamondiferous lamproite pipes.

REVIEW OF PROJECTS

KIMBERLEY PROJECTS – WESTERN AUSTRALIA

The Company has exploration projects in the Kimberley region of Western Australia. The projects in the Kimberley region of Western Australia were acquired during 2004 through the acquisition of East Kimberley Diamond Corporation ("EKDC")

Argyle Dykes

The Argyle Dykes project is located west of and adjacent to the world class Argyle diamond mine and comprises seven (7) contiguous exploration licences and three (3) prospecting leases. This area has often been represented as being prospective for alluvial and hard rock diamonds, as lamproite occurrences have been identified and economic grade diamonds were found in previous bulk testing.

During the year, geological investigations confirmed the CRAE interpretation of the Argyle Lamproite Dykes during the early 1980's. Little field and geophysical evidence could be found to support the structural re-interpretation of the CRAE data by subsequent diamond explorers, which indicated numerous north-south structural movements.

Examination of recent aeromagnetic data identified some interesting anomalies which were field checked. They were identified as mafic and felsic roof pendants (of metasedimentary origins) within the major granite intrusion, which hosts the lamproite dykes.

The western dyke extensions, which are called the Hadrian's Wall lamproites, were detected by mapping and geochemical sampling and comprise small stringers and lenses of lamproite, and are directly related to the main zone Argyle Dykes located some 2.0 km to the east. Although the dykes are small and discontinuous due to local structural dislocations, there is compelling evidence that they are related to the nearby Argyle lamproite pipe by the same regional structural event. The field evidence suggests a regional wrenching and rotation that led to an echelon type development of dyke emplacement, with subsequent local structural distortions.

A nickel/copper occurrence called Salt Lick Creek is also located on the Argyle Dykes tenement. An open file search is presently under way in order to prepare for a field examination.

Ellendale Project

The Ellendale Project consists of one (1) exploration licence covering an area of 59 square kilometres located approximately eight (8) kilometres south east of the diamondiferous Ellendale lamproite pipe cluster currently being mined by Kimberley Diamond Company N.L. ("KDC"). KDC is producing from Pipe 9 and has approval to mine Pipe 4 and Pipe 4 Satellite which between them have a resource of 90.4 million tonnes @ 6.2 carats per hundred tonnes for 5.61 million carats.

The main controlling structural features of the Ellendale Field are parallel to the northwest trending Oscar Range Fault and the project area covers a significant strike of this tectonically prospective area. Examination of open file reports in the area shows that previous base metal explorers completed a ground gravity survey over the present tenement area. Several discrete gravity lows resulting from this work are located within the tenement. These are considered to be targets of interest, however, recent sediment cover extends over a considerable portion of the licence area and it is proposed to fly a high resolution EM survey of this area to detect all subtle geophysical targets, representing primary and alluvial anomalies. An aeromagnetic survey by an adjacent diamond explorer to the southeast of the Company's licence has shown that more lamproite bodies lie beneath these recent sediments.

Tenders are currently being reviewed for the proposed EM survey.

Cabbage Creek

The Cabbage Creek Project area consists of one (1) exploration license covering 33.6 square kilometres. Certain aspects of the geology have similarities to the structural pattern at the Argyle diamond mine. Numerous chrome spinel grains have been recovered from local creeks by previous explorers.

Mt Evelyn

The Bow River Project is situated in close proximity to the Bow River alluvial diamond mine and is some 25 kilometres northeast of the Argyle lamproite pipe. It consists of two (2) granted exploration licenses, with another one pending. The three licenses total 140 square kilometres.

The technical information on the various diamond projects has been compiled from information supplied by Mr John Ceplecha, who is a member of the Australasian Institute of Mining and Metallurgy, and has more than 32 years experience in the industry. Mr Ceplecha has the relevant experience as competent person as defined in the Australasian Code for reporting of Identified Mineral Resources and Ore Reserves. Attached is a copy of the Company's Mining Exploration Entity Quarterly Report in accordance with Listing Rule 5.3.



J I GUTNICK
Chairman & Managing Director

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

96 007 090 904

Quarter ended ("current quarter")

30 September 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	YTD (3 Months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(6)	(6)
(b) development	-	-
(c) production	-	-
(d) administration	(150)	(150)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (stamp duty costs expensed)	(200)	(200)
Net Operating Cash Flows	(341)	(341)
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	1,500	1,500
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	372	372
1.12 Other (payments for exploration to be reimbursed by prospect purchaser & sale of prospect costs)	(156)	(156)
Net investing cash flows	1,716	1,716
1.13 Total Operating and investing cash flows (carried forward)	1,375	1,375

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	1,375	1,375
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Costs incurred under 1.14	-	-
Net financing cash flows		-	-
Net increase (decrease) in cash held		1,375	1,375
1.20	Cash at beginning of quarter/year to date	25	25
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,400	1,400

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	39
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

-

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

-

+ 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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
Total	200

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	1,400	25
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,400	25

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 chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 <i>(description)</i>	-	-	-	-
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	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted.	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	12,165,953	12,165,953	<i>Exercise price</i> \$0.75	<i>Expiry date</i> 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	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ 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 October, 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.

+ See chapter 19 for defined terms.

MINING EXPLORATION ENTITY QUARTERLY REPORT

ASTRO DIAMOND MINES N.L.

ABN 96 007 090 904

For Quarter Ended 30.09.2006

(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.