

March 5, 2006

TSC

US – Consumer Goods

House wares & Accessories

DIAMANT ART CORPORATION.

(DIAAF – OTC:BB)

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Website: <http://www.diamantfilm.com>
Exchange: US-OTC Bulletin Board
Contact: Investor Relations 1-905-752-0220

Recent Price: **\$0.0043**
6-Month Target Price: **\$0.07**

SPECULATIVE BUY RATING

Main Headquarters

Diamant Art Corporation
7100 Warden Avenue
Markham, ON, L3R 8B5 Unit 5
Ontario, Canada

Tel: (905)752-0220

Company Highlights

Diamant Art Corporation, through its wholly owned subsidiary Diamant Film Inc., has secured a ten-year agreement with Diamant Plastics Corporation for the exclusive marketing and distribution rights in the United States, Canada and Mexico to Diamant (tm) Film, a non-PVC food stretch film. Diamant (tm) Film is the world's first plasticizer-free stretch film based on polystyrene and the first food wrap film that is environmentally friendly and recyclable. Diamant (tm) Film has recently received the ECO logo certified by the Environmental Choice(M) Program. The Environmental Choice(M) Program is North America's leading benchmark of environmentally responsible products and services. The Company has successfully met the criteria for both the environmental and performance standards.

7100 Warden Ave. Unit 5, Markham, ON, Canada L3R 8B5 | 905-752-0220



DIAMANT ART CORPORATION

(all figures in Millions)

52 Wk Hi/Lo	\$0.12 / 0.001
Shares Out	643.2
Float	400.0
Share price	0.005
Market Cap	3.2
Avg Vol (3 mon)	11m
Insider Ownshp	5%

12/31/06 12/2007

(EPS)	-0.012	0.0017
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(P/E)	n/a	3.21
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	FY2006 E	FY 07
Total Revenue	1.2	4.9
Cost of Sales	1.600	1.7
Gross Profit/Loss	-0.4	3.2
Oper expenditures	1.1	2.2
Net Income	-1.5	1.0

- Diamant (tm) (DIAAF) film is the world's first plasticizer-free stretch film based on polystyrene and the first food wrap film that is environmentally friendly and recyclable (PVC-free).
- DIAAF, through its wholly owned subsidiary Diamant Film Inc., has secured the exclusive marketing and distribution rights in the United States, Territory of the People's Republic of China, Canada, Mexico and the Bahamas to Diamant (TM) film, a non-PVC food stretch film.
- These agreements give DIAMANT exclusive marketing and distribution rights for Diamant stretch film to a population of 1.3 billion in China and a \$700 million industry in the North America market .
- 5-year agreement with Victory Packaging valued at \$120 Million Dollars.
- Diamant Film Inc., it has secured an agreement with Diamant Plastics Corporation for the exclusive marketing and distribution rights to South Korea for Diamant stretch film, a non-PVC food wrap
- Diamant stretch film is an excellent alternative to PVC film as it does not allow for the migration of harmful agents between the film and the food. Currently, stretch film food wrap products are made with Poly Vinyl Chloride (PVC), a compound found to be harmful for human consumption and to the environment. In North America, legislation is being considered to limit the use of PVC products. The State of New York has already introduced restrictions on the use of PVC in the food wrap industry. The Company believes they possess the only economically viable polystyrene alternative to PVC stretch film for the North American food wrap industry..
- Diamant Film Inc. has started selling 12 inch, and 18 inch, 2000 foot cutter boxes of catering film for residential, and commercial use. All major credit cards will be accepted, and worldwide shipping will be through FedEx. To access this service, please go to the Diamant Film Web site (<http://www.diamantfilm.com>), and click on the Web Sales link..
- We expect the company to **exceed its current projection revenue goal from \$4.07m to our new target of \$4.38m** for FY 2007 as the company is growing and reaching out to new clients. Its new product is reaching new clientele in different countries. Diamant has already secured the rights to the US, Canada, China, Korea, Mexico, and the Bahamas. We believe if the company will sign its distribution agreements with one food super chain retailer in each country, the company will outpace its current revenue and growth by 40%. Its new product is responding well as its recent win in Korea is already in distribution mode **But given the growth of the product, acquisitions, the company expects to produce \$1m for 2007 which represents roughly a P/E of 3x earnings, and trading at today's price the growth is not reflected in the price of the stock. Therefore we believe the stock is undervalued at these levels. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (FULL REPORT)**

See Appendix A-I for Analyst Certification and Important Disclosures.

The Company

Diamant Art Corporation engages in the production, distribution, and marketing of replications of original paintings. It produces replications of original paintings that incorporate brushwork texture, including oil, acrylic, and other textured pigment mediums under the name Artagraph using its patented and proprietary technologies. The company manufactures reproductions of impressionist and postimpressionist paintings, as well as paintings by contemporary artists. It also contracts with art publishers, and produces and sells replications of contemporary works of art. Diamant Art supplies its catalogue products to retail store or art gallery customers in Canada and the United States. In addition, the company has rights to market and distribute nonPVC based plastic utilized in the stretch-film food packaging industry under the name DIAMANT in Canada and the United States. Diamant Art was incorporated in 1986. It was formerly known as ART International, Inc. and changed its name to ART International Corporation in 2003. Further, the name was changed to Diamant Art Corporation in 2004. The company is based in Markham, Canada.

About Diamant Art Corporation

Diamant™ Film Inc., a wholly owned subsidiary of Diamant Art Corp., (a publicly traded company on the US [OTCBB](#) under the symbol [DIAAF](#)) is the exclusive distributor of Diamant™ Food Wrap. Diamant™ Film Inc. is dedicated to producing environmentally friendly products aimed at minimizing pollution, maximizing the quality of life and preserving the environment. Its goal is to manufacture value-driven products that are recyclable and can be reused.

DIAMANT'S NON-PVC STRETCH WRAP

Certified under CCD-122 ensuring the product meets stringent requirements that include the product be PVC-free (Polyvinyl Chloride) and use at least 7.5 per cent less product than most other stretch wraps. Diamant surpasses this with 25 per cent less material being used. One of the world's first NON-PVC polystyrene-based stretch films, Diamant Food Wrap is a revolutionary health oriented product that is both recyclable and ecologically friendly. For consumers who want an alternative to PVC-based stretch film. Diamant Food Wrap is the natural choice.

PROPRIETARY BIO-DIAMANT FILM in process

Uses TDPA™ Oxo-Biodegradable Technology licensed from EPI Environmental Products Inc

TDPA™ additives, when added to *commodity* plastic resins and their co-polymers, in various ranges create end products that are subsequently degradable, biodegradable and cost competitive.

- Contains no plasticizer or chlorine and is NON-carcinogenic
- Completely recyclable
- Reduces Water vapor permeability
- Requires 25% less material
- Excellent elastic recovery
- Low sealing temperature means saving machine processing energy
- Self adhesive to all food trays

Processed on standard manufacturing machines, TDPA™ incorporated plastics maintain the same product performance and characteristics as non-degradable plastics, for a controlled period of time until degradation is triggered by one or all triggers of heat, sunlight, or enhanced mechanical stress.

TDPA® - based plastic products will degrade and ultimately biodegrade, and once biodegrading is complete all that remains is carbon dioxide, water and biomass, all of which are part of the normal bio-cycle.

REGULATED ENVIRONMENT

DIAAF operates in a highly regulated industry.

DIAMANT™ film has been approved by Canadian Health Protection Branch for food contact

Qualifies for U.S. Food and Drug Administration non-objection status.

Recently, DIAMANT™ film was passed stringent EU guidelines and applicable laws regarding food hygiene for contact with aqueous, acidic, alcohol, oily and fatty food types.



NORTH AMERICAN MARKET & FOCUS

Currently the North American Industry is mature and is dominated by PVC stretch film producers.

DIAAF is pursuing specific market channels

DIAAF'S PRODUCT VERSUS PVC

Some PVCs contain plasticizers called DEHP that have undesirable characteristics.

Leaching of plasticizer into the foods being packaged and attendant health concerns; Extreme health risks in disposal via incineration due to the production of dioxins.

Release during production of monomer, which is a carcinogen and corrosive vapor

Release of harmful vapors at the end-users locations during heat sealing, including supermarkets and food processors. DIAMANT™ film offers additional beneficial characteristics.

DIAMANT™ film offers a comparable competitively priced alternative that provides branding differential by promising an environmental responsible product.

Up to 30% reduction in packaging waste due to lower density and gauge; Can be recycled or safely incinerated

Higher tensile strength per unit, allowing extrusion of thinner layers

Equal to 20% greater shelf life for perishable products, cutting customers costs

Can be printed on, which opens branding opportunities for supermarkets

Other potential advantages claimed include: longer food shelf life; less food contamination; less waste - benefiting land fill sites; recycling and safe incineration, which will support its customers' desire to minimize garbage disposal costs and further underlines its competitive price when considering the complete spectrum of costs associated with PVC.

TECHNOLOGY & BACKGROUND

The owner and inventor of DIAMANT™ film, a Swiss-based company, first achieved commercial status in 2001 after an extensive, 10-year development on resin formulations and equipment design.

The Freedonia Group Incorporated, a leading international industry study database company provided a report covering the "PVC Food Packaging Film" industry in the US. The report concluded that demand for PVC film in food packaging uses will grow two percent annually to more than 410 million pounds in 2006. The report also projected that PVC film demand would total 465 million pounds by 2009.

Reasons to Consider:

- New revolutionary product
- Penetrating to new markets (Korea, China, Mexico, Bahamas)
- Diamant Art Corporation Ships Diamant Film To Korea 12/2005
- Diamant Art Corporation Ships Diamant Film to China 11/2005
- DIAMANT FILM INC. PROVIDES DIAMANT(TM) FILM TO PRESIDENTIAL HOLDINGS FOR U.S. MILITARY CLIENTS
- As sales will increase due to new product, company will likely buyback stock to increase shareholder value.
- DIAMANT SIGNS EXCLUSIVE AGREEMENT WITH VICTORY PACKAGING FOR 4.2 BILLION FEET OF DIAMANT FILM
- Diamant FILM reached an agreement with a second national supermarket retailer to test DIAMANT™ film
- On March 29, 2005, FILM executed a five-year agreement, effective March 1, 2005, with Victory Packaging of Houston, Texas ("VICTORY") giving VICTORY exclusive sales and distribution rights to DIAMANT™ film in North America for industrial and supermarket applications. VICTORY has approximately \$350 million in annual revenues and operates 50 warehouses across North America. Under the terms of the agreement, VICTORY agreed to purchase minimum quantities of DIAMANT™ film from 135 million feet, in year one, to 4.2 billion feet by year five. If fully delivered, the five-year contract represents an estimated \$120 million in sales revenues.

DIAMANT FILM Vs. PVC**PVC: A major environmental health disaster**

PVC is the worst plastic from an environmental health perspective, posing major hazards in its manufacture, product life and disposal.

Toxic Manufacturing Byproducts:

Dioxin (the most potent carcinogen known), ethylene dichloride and vinyl chloride are unavoidably created in production of PVC and can cause severe health problems, including:

- Cancer
- Endocrine disruption
- Endometriosis
- Neurological damage
- Birth defects & impaired child development
- Reproductive and immune system damage

In the US, PVC is manufactured predominantly near low-income communities in Texas and Louisiana. The toxic impact of pollution from these factories on these communities has made them a focus in the environmental justice movement.

Global impact:

Dioxin's impact doesn't stop there. As a persistent bioaccumulative toxin (PBT), it does not breakdown rapidly and travels around the globe, accumulating in fatty tissue and concentrating as it goes up the food chain. Dioxins from Louisiana manufacturing plants migrate on the winds and concentrate in Great Lakes fish. Dioxins are even found in hazardous concentrations in the tissues of whales and polar bears and in Inuit mother's breast milk . The dioxin exposure of the average American already poses a calculated risk of cancer of greater than 1 in 1,000 - thousands of times greater than the usual standard for acceptable risk. Most poignantly, dioxins concentrate in breast milk to the point that human infants now receive high doses, orders of magnitude greater than those of the average adult.

October 26, 2005

PVC Wrap Contains Harmful Chemical

CRIENGLISH.com

China's quality watchdog Tuesday announced the result of their inspection towards PVC cling film on the Chinese market, saying that some kinds of the inspected PVC product contain an already banned chemical which would do harm to human body. This warning message makes the public think more about the reason behind it, such as PVC exporters in Japan or South Korea not using the product themselves. Our Shanghai correspondent Xiaoyu finds out more.

The long-awaited inspection was first initiated by enormous public concerns when some media reported that a chemical in the wrap would lead to cancer.

During the last 2 weeks, 44 kinds of PVC cling films were checked and tested.

Inspection shows that some of the tested product contains a plasticizer called DEHA which would be released and enter human body when heated or encounter fatty food.

An earlier report quoted some researchers saying the chemical could result in breast cancer, mental problems and deficiencies in newborns.

Shanghai is one of the cities that reacted most strongly to the news. Supermarkets immediately stopped selling and using PVC wrap. And the overall turnover of plastic wrap for food has decreased by nearly 30%.

The investigation also reports that more than 80% of PVC plastic wrap in China are imported from Japan and South Korea, where such cling films have been banned for several years. Therefore citizens are wondering why the product could enter China and why it is still popular here. Zhang Jun, a professor on economy from Shanghai-based Fudan University said that some standards involved are falling behind from international ones.

"It shows that there are some weak points in our technological standards towards imports. China reacted too late to some changes in international standards."

Though China has its own standards for food wrapping products, there is no specific one for plastic wrap.

Liu Zhaobin, spokesman for the General Administration of Quality Supervision, Inspection and Quarantine of China, said Tuesday that the administration will launch a test on each imported batch of PVC food wrapper. Those with the harmful chemical will be banned and they will soon make improvements in former standards and add testing methods of DEHA in related regulations.

Tuesday's statement also says that all the 6 PVC food wrap film plants in China are owned wholly or partly by foreign investors and 90 percent of their products go to domestic market and only 10 percent for exports. The professor Zhang Jun warned that Chinese should learn to protect themselves as soon as possible.

"China should adopt more international standards, as China will open its domestic market wider and wider under the WTO framework. It's not to protect or control the market, it's to protect our own interests."

The ban seems to bring an end to this hot topic these days. But, it's highly hoped that this event would remind people and the government of other weak points in the system of product quality.

Terrorist risks:

A 2002 Rand report for the U.S. Air Force identified chlorine gas storage and transport facilities as among the top chemical targets for a terrorist attack and cited examples of a number of such threats and attacks already carried out around the world. As a prime feedstock for PVC, chlorine makes the PVC manufacturing plants and the trains that supply them highly vulnerable. A simple terrorist attack could release a toxic cloud that would spread for miles, potentially endangering millions of lives.

The best security is to switch to safer materials that don't require chlorine. PVC production is the biggest single use of chlorine and so reduction in its use represents the largest single step we can take to reduce the risk of chlorine disasters, accidental or intentional.

Lethal additives:

PVC is useless without the addition of a plethora of toxic chemical stabilizers - such as lead, cadmium and organotins - and phthalate plasticizers. These leach, flake or outgas from PVC over time raising risks that include asthma, lead poisoning and cancer.

Deadly Fire Hazard:

PVC poses a great risk in building fires, as it releases deadly gases long before it ignites, such as hydrogen chloride which turns to hydrochloric acid when inhaled. As it burns, whether accidentally or in waste incineration, it releases yet more toxic dioxins. PVC burning in landfill fires may now be the single largest source of dioxin releases to the environment.

Can't be readily recycled:

The multitudes of additives required to make PVC useful make large scale post consumer recycling nearly impossible for most products and interfere with the recycling of other plastics. Of an estimated 7 billion pounds of PVC thrown away in the US, only 14 million - less than 1/2 of 1 percent - is recycled. The Association of Post Consumer Plastics Recyclers declared efforts to recycle PVC a failure and labeled it a contaminant in 1998.

New Project

Initially the Company has acquired the distribution rights from PLASTICS, pending further negotiations through PLASTICS with the Swiss corporation to acquire manufacturing rights. The market channels to be pursued are the existing PVC stretch film business in North America, comprising:

- The packaging of meat, poultry, seafood and vegetables at super markets and food processors, which operate on automated production lines;
- The packaging of food at institutional establishments such as restaurants and catering operations, which operate on single machine or manual stations;
- The wrapping of foods in individual homes, and as a food container covers for microwaving, which involves only hand based wrapping from a boxed roll with cutter.

Currently the North American Industry is mature and is dominated by PVC stretch film producers. DIAMANT™ film offers a comparable competitively priced alternative that provides branding differential by promising an environmental responsible product. PVC contains plasticizers called DEHP that renders the following undesirable characteristics:

- Leaching of plasticizer into the foods being packaged and attendant health concerns;
- Extreme health risks in disposal via incineration due to the production of dioxins;
- Release during production of monomer, which is a carcinogen and corrosive vapor;

Release of harmful vapors at the end-users locations during heat sealing, including supermarkets and food processors. DIAMANT™ film offers additional beneficial characteristics:

- Upto 30% reduction in packaging waste due to lower density and gauge;
- Can be recycled or safely incinerated;
- Higher tensile strength per unit, allowing extrusion of thinner layers;
- Equal to 20% greater shelf life for perishable products, cutting customers costs

The Company hopes to capitalize on the advantages DIAMANT™ film affords it to provide the foundation for a rapid expansion in North America. The keys to success for the Company include:

- Successful transfer and adaptation to North American markets, which has largely been achieved during the 12 months ended May 2005;
- Reduction of raw material costs by switching from a limited volume importer and licensed distributor to a licensed manufacturer and mass producer of DIAMANT™ film, which the Company believes it can negotiate;
- Rapid roll-out and market penetration of the North American stretch film packaging industry, which the Company believes it is successfully positioning itself through its strategic partnerships with established logistic, distribution and warehouse companies and strategic marketing consultants.

Acquiring external capital and working capital financing to support its desire to achieve rapid expansion, including access to the public markets, equipment leasing and secured debt financing, which the Company is actively exploring.

Stretch film packaging is a commodity and is not sensitive to seasonality or economic recessions because foods are necessities.

The Company is wholly reliant on the single source manufacturer located in Switzerland, for product supplies. In addition, the same party is the only manufacturing source for the specialized extruder production units and associated technical knowledge. The composition of the resin is a strictly secrete formulation that is highly complex. In addition, the Swiss had to modify the formulations for the North American market to allow for automated packaging lines. The Swiss company has purposely not filed for patent protection, which is not uncommon in the industry. Oftentimes filing for patent protection reveals too much technical information that might enable competitors to re-engineer the product and process. Under current configurations of the production facilities operated by the Swiss, their maximum current capacity is significantly lower than future contractual supply minimums to the Company and its distributors. Total annual volume capacity in Switzerland is approximately 4.4 million LBS.

The Company has signed two downstream distribution agreements with two corporations for the major markets in the United States of America and is actively pursuing other options in Canada, Mexico and Bahamas. In addition, the Company has outsourced its repackaging of bulk product imports. While the Company has taken every precaution to ensure its business partners can support its business and has jointly participated in field testing the product, there are no assurances that these companies will purchase the minimum quantities. Conversely, the combined minimum purchase commitments of VICTORY and PRESIDENTIAL in year-three of their five year distribution agreements are approximately twice the Swiss company's current annual capacity. The Company believes the Swiss will respond to the "projected" increase in demands for DIAMANT™ by increasing their production or licensing other third parties to manufacture DIAMANT™ film.

The Company operates in a highly regulated industry. DIAMANT™ film has been approved by Canadian Health Protection Branch for food contact and qualifies for U.S. Food and Drug Administration non-objection status. Recently, DIAMANT™ film was passed stringent EU guidelines and applicable laws regarding food hygiene for contact with aqueous, acidic, alcohol, oily and fatty food types. Its product is well positioned to enable the Company to parade its advantages over competing PVC stretch film packaging. The potential advantages claimed include: longer food shelf life; less food contamination; less waste - benefiting land fill sites; recycling and safe incineration, which will support its customers' desire to minimize garbage disposal costs and further underlines its competitive price when considering the complete spectrum of costs associated with PVC.

MANAGEMENT

Stefan Gudmundsson, CEO and President, Director - President Technopac since 1991; President Trinity Plastics Inc. 1989 - 1991. Over thirty (30) years experience working in plastic packaging

Simon P. Meredith, COO -- Was elected a director of the Company and President and Chief Operating Officer in November 1994. Mr. Meredith is a Chartered Accountant and was Vice President, Finance and Administration of Gormont Group Limited from April 1991 through December 1994. He was a consultant for Helix Investments Limited (a private investment group) from October 1990 through March 1991 and Vice President, Finance and Administration of The Diecut Group, Inc from June 1987 through September 1990.

Michel van Herreweghe, Director -- President of Telephony Communications International Inc. from 1985 through 1987; Was Director of Nickeldale Resources Inc. from 1988 through 1996. He was a Director of Aronos Multinational Inc. From 1991 through 1992; Director of Xxpert Rental Tool Inc. from 1993 through 1994; CEO Oxford Securities Corporation (Bahamas) 1993 to 2000; Director Commonwealth Asset Managers Limited (Bahamas) 1994 to Present. He was appointed State of Florida Commissioner of Deeds 1994 to March 1998;

Roger Kirby, Director. -- Is President of Enviro-Lite International Inc; General Manager of Can-Am Teck Inc. 1991; Vice-President Sales for Demax Inc. 1990; President of Telephony Communications International Inc. from 1987 through 1990; President of Nickeldale Resources Inc. to November 1996.

ADVISORY DIRECTOR

Henry C. Giffin III, Senior Advisor for Presidential Holdings Inc. is the first advisor on Diamant's Advisory Board. Mr. Giffin is former Vice Admiral, U.S. Navy, Commander, Naval Surface Force, U.S. Atlantic Fleet.

He is currently Senior Strategic Consultant with Presidential Holdings, Inc. For a complete outline of Mr. Giffin's accomplishments as well as other advisors of Presidential Holdings please visit (<http://www.presidentialholdings.com>).

Investment Thesis & Analysis

- Our analysis suggests that **Diamant Art Corporation (DIAAF)** is an interesting speculative play among micro-cap companies offering its new non-PVC product. Its new film which offers the first food wrap film that is environmentally friendly and recyclable. Diamant (tm) Film has recently received the ECO logo certified by the Environmental Choice(M) Program. **No PVC product is ECO certified.** On March 29, 2005, FILM executed a five-year agreement, effective March 1, 2005, with Victory Packaging of Houston, Texas ("VICTORY") giving VICTORY exclusive sales and distribution rights to DIAMANT™ film in North America for industrial and supermarket applications. VICTORY has approximately \$350 million in annual revenues and operates 50 warehouses across North America. Under the terms of the agreement, VICTORY agreed to purchase minimum quantities of DIAMANT™ film from 135 million feet, in year one, to 4.2 billion feet by year five. If fully delivered, the five-year contract represents an estimated \$120 million in sales revenues. We believe this is a big win for the company, as it will help the company to fund its operation for future growth. This will also allow the company in the future to buy back the stock to increase shareholder value. Its important, as its currency will increase due to stock appreciation, the company can later acquire other companies that are synergized to its business plan. Diamant stretch film is an excellent alternative to PVC film as it does not allow for the migration of harmful agents between the film and the food. Currently, stretch film food wrap products contain Poly Vinyl Chloride (PVC), a compound found to be harmful for human consumption and to the environment. In North America, legislation is being considered to limit the use of PVC products. The State of New York has already introduced restrictions on the use of PVC in the food wrap industry. The Company believes they possess the only economically viable polystyrene alternative to PVC stretch film for the North American food wrap industry. We have seen many agencies are now forcefully using restriction on PVC market, (such as New York, China, to name a few. We believe this move will have a strong effect on DIAMANT as it is non-PVC ECO approved company. It is logical to permit, that if the company will market its product in the areas of the restriction, the company will succeed in positive sales. We believe the market for non-PVC is huge and strong. The company is now shipping its product to Korea, China, and US military clients. Now that the company has entered these new markets, the company will continue to infiltrate new clients within its segment.

We see the company is growing at a rate of 50-80% + for 2006 and we expect 2007 that the company will make a breaking point of even higher growth as both of its sales channels suggest that the company is on track to outperform company's projections and our projections of \$1M profit. We believe the company will produce in a range of \$800,000 to \$1m in profits for 2007, which would represent over 200% growth in profits from FY 2006. Given its valuation of \$3.2m market cap, the company is trading at roughly 3 times our new estimate for FY 2007. We believe given these levels the company is trading at a low multiple which we believe is undervalued. The reason we would suggest is lack of visibility by investors of company's condition, as the company will meet its targets and visibility achieved, the stock price should reflect a fair multiple as its peers of 16-19 times earnings. Recent highlights in the company indicates that the company's client list is strong and superior where the company has managed to pull big clients into its products, knowing that these clients usually interact with big corporations that would manage their subordinates. This kind of an obstacle suggests that the company is viable to grow in many areas and bring new big clients from other regions and countries. We would also indicate as the company will reach full profitability level in mid 2006, the company would be interested in acquiring companies that are synergic within their field. Thus it would represent not only growth but fundamental value in the company's ability to further grow and enhance their products and services across, and would dramatically build value in its stock price.

On February 23, 2006, Diamant Art Corporation f/k/a ART International Corporation (the "Company") sold 3,000,000 restricted shares of its Class C Common Stock. As consideration for the sale of these shares, the Company received a total of \$ 300,000.00 consisting of \$125,000.00 in cash and \$ 175,000.00 in forgiveness of existing indebtedness due and owing by the Company. The company made another transaction on December 19, 2005, Diamant Art Corporation f/k/a ART International Corporation (the "Company") sold 5,000,000 restricted shares of its Class C Common Stock. As consideration for the sale of these shares, the Company received a total of \$ 500,000.00 consisting of \$100,000.00 in cash and \$ 400,000.00 in forgiveness of existing indebtedness due and owing by the Company. These transactions were made to fund companys operation and enter new markets in China, Korea,as marketing is heavily required. **IF the company is UNABLE**

TO ACHIEVE PROFITABILITY, they WILL CONTINUE TO RELY ON EXTERNAL FINANCING - the Company operates at a loss. During fiscal 2004 the Company was able to obtain demand debt financing. In future, their inability to raise new capital or achieve profitability could have a material adverse effect on the ability of the Company to continue operations.

Both operating and financial risk involved in investing in a young service company are typically high and should be considered by investors. In this case the operational **risks associated with the company shows a promising market of a new initiative product which focuses highly on a competitive diverse unique product and DIAAF is receiving new contracts as the demand is increasing toward this new product.** We therefore only recommend investors that have a **high tolerance for risk** that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to DIAAF should do so with **absolute minimum 2 year investment horizon**, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize, within the investment community that will **allow the value behind the concept of its new products and service. Short term we expect DIAAF stock to continue to build a base in the low to mid penny to 1.2 cents range, before making an attempt to break out of its mid level. In the medium term a major risk factor may involve that additional capital raising or stock offering may be needed to continue organic growth and fund marketing and advertising activities, such that it may hinder further improvement in the rating of the shares until adequate funding is secured** that will satisfy concerns that may be present, or resurface in the investor community. Despite this risk, we believe that the company will be able to continue its operational plans for at least 2 years given its present level of capital resources. We have highlighted this company as a great opportunity due to its new revolutionary product that outlines reasonable consideration. We believe as the company will sign new agreements, its revenues will increase dramatically, and company will be able to operate fully without the need of financing, and can acquire other potential businesses that will synergistically fit for its business model. Eventually this will lead to buying back the stock, and increase its shareholder value.

The company is exposed to variety of risks, indirectly by changes in interest rates affecting consumer-purchasing habits and directly affected by currency fluctuations between the Canadian and US dollars. The Company does not purchase forward foreign exchange contracts. The Company has no debt or credit subject to variable interest rates. The exchange gains and losses that the Company may be impacted by from time to time will depend on the levels of US dollar monetary assets and liabilities as well as their corresponding collection and payment events. Long term trends of a weakening of the Canadian dollar relative the United States dollar would likely have permanent negative impact from the balance sheet perspective, as the Corporation would become more exposed to its net USD liabilities. Conversely, a strengthening Canadian dollar reduces the gross profits of the Corporation.

ANALYST CERTIFICATIONS

APPENDIX-A1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the company's rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Investors should not use this research report as an indication to buy or sell the stock. It is solely used and made for information and opinion of the analyst. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future or urge investors to buy the stock.

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