HALCYON GROUP LTD

QUARTERLY REPORT

FOR THE PERIOD ENDING
30 June 2003

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HIGHLIGHTS

Acquisition of the Bardoc Gold Project, an advanced and highly prospective exploration project situated 45 kilometres north of Kalgoorlie.

- Commencement of reconnaissance field work at the Bardoc Project following an extensive database review and target generation exercise.

All resolutions unanimously passed at the Company's recent Extraordinary General Meeting.

Appointment of two new Directors to manage and add value to the Company's recently acquired exploration assets.

Continuation of the Perth IX internet exchange business.

Introduction

The Company's June Quarter was dominated by the acquisition of the Bardoc Gold Project. The acquisition provides the Halcyon Group with an excellent opportunity to gain exposure to the resources sector. Following completion of the acquisition the Company controls 100% of the project and will retain approximately $1.4 million in cash reserves. In conjunction with the acquisition the Company has appointed two new board members with the necessary skills and experience to manage and add value to the Company's exploration asset. Data analysis, target generation and reconnaissance field work are already well advanced in anticipation of the pending drill program. The June Quarter also saw the Company further improve its internet exchange business through the continued growth of Perth IX.

Halcyon's purchase of the Bardoc Project gives the Company the opportunity to explore a highly prospective project in an area that has a track record for hosting profitable gold mining operations. The geological and structural settings within the Bardoc Project are directly comparable with several neighbouring operations, including the world class Paddington gold deposit (4Moz). Access and infrastructure are excellent at Bardoc due to close proximity to local gold processing plants for a potential toll treating arrangement.

The recent appointment of two new directors to the Halcyon board and the engagement of a technical manager has provided the Company with the necessary skill base to effectively explore the new acquisition. A number of prospective areas have already been identified, several of which will be tested in the first drill program scheduled to commence in the September Quarter. The Company believes the new management team has both the track record and experience to quickly and effectively add significant value to the Company's assets.

Halcyon is currently creating a new website that will detail all aspects of the Company's exploration activities, including company profile, investor information and technical developments as well as a direct link to the Perth IX website. On completion of the website, shareholders and interested parties will be invited to forward their e-mail addresses, allowing future announcements to be communicated efficiently.

Bardoc Gold Project

The Bardoc Project is centred on the historical gold mining centre of Bardoc which is located 45 kilometres north of Kalgoorlie. Following completion of the agreement Halcyon will control 100% of the Project, which has a combined tenure area of approximately 50 square kilometres and encompasses over 15 kilometres of strike of the Bardoc Tectonic Zone. Project access is extremely good with excellent proximity to both infrastructure and gold processing plants.

Both the geological and structural setting at Bardoc are extremely prospective for large scale gold mineralization as is evident by the numerous mining centres in the immediate area, including the very successful Paddington deposit (4Moz). Major gold deposits in the area are associated with the Bardoc Tectonic Zone (BTZ), a broad structural regime that extends over a strike length of 75 kilometres and hosts in excess of 6Moz of gold.

Halcyon's recent in-depth analysis of both regional and local data has identified a number of exploration targets throughout the Project. These targets are hosted within BTZ structures, more specifically where those structures are cross-cut by secondary NE striking structures. Regionally these structural intersections are very significant as they host all the main deposits in the Bardoc area, including the historical mines Excelsior and Zoroastrian located within the Bardoc Project itself.

Several of the existing prospects, as well as the recently identified targets, already contain significant drill intersections including:

Table 1. Assay results from previous drilling at the Bardoc Project

Hole No.	Prospect	Northing AGD 84	Easting AGD 84	Depth From	Interval	Gold Grade
DD 193	Zoroastrian	6642830m	335064m	34.5m	**4.1m**	**1058.0g/t**
RC 064	Zoroastrian	6642852m	335065m	66m	**6m**	**290.0g/t**
BCRC 173	Bardoc West	6645633m	332035m	17m	**10m**	**85.0g/t**
PWB 008	Bardoc West	6645283m	332169m	35m	**5m**	**6.5g/t**
BWRC 410	Arrow Star	6632130m	337307m	139m	**7m**	**22.0g/t**
98535/39W	Bulletin	6634612m	333921m	0m	**15m**	**25.3g/t**
RC 196	Royal Mint	6642592m	334932m	15m	**14m**	**3.48g/t**
RC 242	Royal Mint	6642581m	334935m	11m	**12m**	**3.70g/t**
RC 211	Pearl	6642423m	335006m	44m	**14m**	**11.2g/t**
RC 259	Pearl	6642422m	335061m	65m	**5m**	**8.8g/t**
DXL I18	Excelsior	6642590m	335498m	124m	**3m**	**30.6g/t**
RCXL 101	Three Star	6644977m	335448m	49m	**9m**	**3.73g/t**

The exploration program due to commence in the September Quarter will focus on both the Bardoc Central area as well as the Bardoc Extended area. There are a range of targets within these areas, including under-explored high grade hits associated with the Zoroastrian pit, untested extensions to the west and south of Zoroastrian and a number of other targets associated with the Excelsior share zone.

Drilling is scheduled to commence in the September quarter of 2003.

Perth IX

Halcyon provides a secured loan to its wholly owned subsidiary, Copper Road Pty Ltd which owns the Perth IX business. The loan is secured by a fixed and floating charge over Copper Road's assets.

The Perth IX business has continued to minimise its operating expenditures whilst growing its monthly sales base providing internet exchange and computer hosting services.

Hamish Halliday
Technical Director

Information in this report pertaining to exploration results was compiled by Mr. H P Halliday who is a Member of the Aus.I.M.M. with not less than 5 years experience in the relevant fields, and who consents to the report appearing in the form and context in which it appears.

RULE 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

Halcyon Group Ltd

ABN	Quarter ended ("current quarter")
13 086 972 429	30 June 2003

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to date (..12..months) $A'000
	Receipts from customers		265	800
1.2	Payments for	(a) staff costs	(116)	(591)
		(b) advertising and marketing	(7)	(62)
		(c) research and development	-	-
		(d) leased assets	(5)	(5)
		(e) other working capital	(243)	(743)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		14	51
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	(3)
1.7	Other – Export Market Develop grant and insurance claim		-	82
	Net operating cash flows		(92)	(471)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (...12 months) $A'000
1.8	Net operating cash flows (carried forward)	(92)	(471)
	Cash flows related to investing activities		
.9	Payment for acquisition of:		
	(a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		
	(e) other non-current assets		
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)		
	(b) fixed assets	-	27
	(c) intellectual property		
	(d) physical non-current assets		
	(e) other non-current assets		
1.11	Loans to other entities		
1.12	Loans repaid by other entities		
1.13	Other (provide details if material)	1	35
	Net investing cash flows	1	62
1.14	**Total operating and investing cash flows**	(91)	(409)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	859
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings		
1.18	Repayment of borrowings		
1.19	Dividends paid		
1.20	Other – share issue costs	-	(82)
	Net financing cash flows	-	777
	Net increase (decrease) in cash held	(91)	368
1.21	Cash at beginning of quarter/year to date	1,390	931
1.22	Exchange rate adjustments to item 1.20	-	-
.23	**Cash at end of quarter**	1,299	1,299

+ See chapter 19 for defined terms.

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
1.24	Aggregate amount of payments to the parties included in item 1.2	42
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Executive services were provided by Jamalcom Pty Ltd, a company in which Mr G Pennefather is a director for the period aggregated $17,380.

Directors fees provided by Mr C Readhead for the period aggregated $13,761.

Executive Services were provided by Pullinger Readhead & Stewart, a company in which Mr C Readhead is a director for the period aggregated $11,080.

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**

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

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Financing facilities available

ADD NOTES AS NECESSARY FOR AN UNDERSTANDING OF THE POSITION. (SEE AASB 1026 PARAGRAPH 12.2).

		Amount available $A'000	Amount used $A'000
3.	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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
4.1	Cash on hand and at bank	649	790
4.2	Deposits at call	650	600
4.3	Bank overdraft	-	-
4.4	Other	-	-
	Total: cash at end of quarter (item 1.23)	1,299	1,390

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.	Name of entity	Bardoc Tectonic Zone Pty Ltd	-
5.2	Place of incorporation or registration	WA	-
5.3	Consideration for acquisition or disposal	1,400,000	-
5.4	Total net assets	1,400,000	-
5.5	Nature of business	Mining and exploration	-

Compliance statement

This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

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

Sign here: S. Caruso
Company Secretary

Date: 30/7/2003

Print name: Silvia Caruso

+ See chapter 19 for defined terms.

Notes

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 definitions in, and provisions of, AASB 1026: Statement of Cash Flows apply to this report except for the paragraphs of the Standard set out below.

- 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
- 9.2 - itemised disclosure relating to acquisitions
- 9.4 - itemised disclosure relating to disposals
- 12.1(a) - policy for classification of cash items
- 12.3 - disclosure of restrictions on use of cash
- 13.1 - comparative information

3. 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.