HALCYON GROUP LTD

ABN 13 085 972 420

Half-Year Financial Report
31 December 2004

HALCYON GROUP LTD

ABN 13 036 972 429

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Company Directory
For the Half-Year Ended 31 December 2004

DIRECTORS

Craig Readhead
(Non-Executive Chairman)

Mark Bojanjac
(Executive Director)

Andrew Radonjic
(Managing Director - Appointed 11 August 2004)

Hamish Halliday
(Technical Director - Resigned 11 February 2005)

Craig Burton
(Non-Executive Director - Resigned 22 November 2004)

COMPANY SECRETARY

Silvia Caruso

REGISTERED OFFICE

Level 2, 45 Richardson Street
WEST PERTH WA 6005

Telephone: +618 9481 2433
Facsimile: +618 9322 5907

SHARE REGISTRY

Computer Share Registry Services Pty Ltd
Level 2
45 St George's Terrace
PERTH WA 6000

AUDITORS

Deloitte Touche Tohmatsu
Level 14 – 240 St Georges Terrace
PERTH WA 6000

STOCK EXCHANGE LISTING

The Company is listed on the Australian Stock Exchange Limited
Australian Stock Exchange Limited Code: HCY, HCYO

HALCYON GROUP LTD

ABN 13 085 972 429

Directors' Report
For the Half-Year Ended 31 December 2004

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2004.

DIRECTORS

The names of Directors who held office during or since the end of the half-year:

C L Readhead		
M T Bojanjac		
A Radonjic	Appointed:	11 August 2004
H P Halliday	Resigned:	11 February 2005
C I Burton	Resigned:	22 November 2004

REVIEW OF OPERATIONS

Early in 2004 the Company divested the non-mineral interests so as to totally focus on mineral exploration at the newly expanded Bardoc Project which is located 50 kilometres north of Kalgoorlie in Western Australia and produced in excess of 100,000 ounces of Gold in the 1980/90s. In the first half of 2004 the Company actively explored for both Gold and Sulphide Nickel, yielding strong drill results for Gold such as 5 meters @ 8.8 g/t at Big Blow and 11 metres @ 9.6g/t at Jackorite within the Bardoc South area, as well as delineating several high order Sulphide Nickel targets.

In the last 6 months the economic entity has concentrated on the Sulphide Nickel program with further geophysical surveys identifying four high priority drill targets that were tested in the initial drill program. The results provided further encouragement prior to the Company entering into a joint venture on the nickel rights of the Bardoc project with Minara Resources Limited. Upon signing of the agreement Halcyon received a cash payment of $300,000 and Minara would earn 70% through the expenditure of a further $2.7 Million on Sulphide Nickel exploration.

So far in 2005 the Company has followed-up on previous Sulphide Nickel indicators with some drilling and has commenced a comprehensive geophysical survey of the 13 kilometres of the highly prospective unit that hosts the Scotia Nickel Mine (endowment of ~ 35, 000 tonnes of Nickel Metal) some 10 kilometres to the north of Halcyon's tenure.

Recently the Company secured a key landholding adjacent to the Bardoc Project with historical drill intersections of up to 1.4% Sulphide Nickel.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.
This report is signed in accordance with a resolution of the Board of Directors.

A Radonjic
Managing Director
Dated: 15 March 2005

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Board of Directors
Halcyon Group
Level 2, 45 Richardson Street
West Perth WA 6005

15 March 2005

Dear Directors

Halcyon Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Halcyon Group Limited.

As lead audit partner for the review of the financial statements of Halcyon Group Limited for the half-year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants

HALCYON GROUP LTD

ABN 13 083 972 420

Consolidated Statement of Financial Performance
For the Half-Year Ended 31 December 2004

		Consolidated Entity	
	Note	**31 December 2004 (6 months) $**	**31 December 2003 (6 months) $**
Revenues from ordinary activities		38,614	414,878
Borrowing costs		-	(1,368)
Employee expense		(53,680)	(165,456)
Depreciation expense		(2,554)	(146,380)
Legal fees		(6,621)	(265,830)
Leasehold expenses		-	(108,011)
Computer and office costs		(18,990)	(106,656)
Other expenses		(42,351)	(122,073)
Loss from ordinary activities before income tax expense/benefit		(85,582)	(500,896)
Income tax expense/benefit relating to ordinary activities		-	-
Loss from ordinary activities after related income tax expense/benefit		(85,582)	(500,896)
Total changes in equity other than those resulting from transactions with owners as owners		(85,582)	(500,896)
Basic loss per share (cents per share)	6	(0.027)	(0.18)
Diluted loss per share (cents per share)	6	(0.027)	(0.18)

The accompanying notes form part of this financial report.

HALCYON GROUP LTD

ABN 13 085 972 420

Consolidated Statement of Financial Position
As at 31 December 2004

	Note	Consolidated Entity 31 December 2004 $	30 June 2004 $
CURRENT ASSETS			
Cash assets		1,258,686	1,315,622
Receivables		126,591	116,811
TOTAL CURRENT ASSETS		1,385,277	1,432,433
NON-CURRENT ASSETS			
Property, plant and equipment		10,184	12,738
Exploration costs carried forward		2,947,691	2,630,491
Other assets		146,067	147,245
TOTAL NON-CURRENT ASSETS		3,103,942	2,790,474
TOTAL ASSETS		4,489,219	4,222,907
CURRENT LIABILITIES			
Payables		88,620	173,973
Loan – Minara JV		423,500	-
Tax Liabilities		10,768	10,768
Provisions		12,171	-
TOTAL CURRENT LIABILITIES		535,059	184,741
NON-CURRENT LIABILITIES			
Interest bearing liabilities		900,000	900,000
Tax Liabilities		8,078	8,078
Provisions		200,000	200,000
TOTAL NON-CURRENT LIABILITIES		1,108,078	1,108,078
TOTAL LIABILITIES		1,643,137	1,292,819
NET ASSETS		2,846,082	2,930,088
EQUITY			
Contributed equity		13,408,598	13,407,022
Accumulated losses		(10,562,516)	(10,476,934)
TOTAL EQUITY		2,846,082	2,930,088

The accompanying notes form part of this financial report.

HALCYON GROUP LTD

ABN 13 085 972 420

Consolidated Statement of Cashflows
For the Half-Year Ended 31 December 2004

	Note	Consolidated Entity	
		31 December 2004 (6 months) $	31 December 2003 (6 months) $
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		5,049	414,017
Payments to suppliers and employees		(178,507)	(855,299)
Interest and bill discounts received		34,743	30,915
Interest paid		-	(6,844)
Net cash used in operating activities		(138,715)	(417,211)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(341,721)	(390,675)
Payments for businesses/entities acquired		-	(734,495)
Purchase of property, plant and equipment		-	(4,230)
Proceeds received for joint venture exploration		423,500	-
Net cash from / (used in) investing activities		81,779	(1,129,400)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	999,975
Payments for costs of issue of shares		-	(25,818)
Net cash provided by financing activities		-	974,157
Net decrease in cash held		(56,936)	(572,454)
Bank and cash balances at the beginning of period		1,315,622	1,298,383
Bank and cash balances at the end of period		1,258,686	725,929

The accompanying notes form part of this financial report.

1. BASIS OF PREPARATION

a. The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Halcyon Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

b. Going Concern

These financial statements have been prepared on a going concern basis. The Directors are of the opinion that the consolidated entity has the ability to continue as a going concern and be able to meet its debts and commitments as and when they fall due, based on the following reasons:

- The Company has 57,251,000 options on issue exercisable at 3 cents each which expire on 31 March 2005.
- The Company is expecting to receive funds from the Minara Resources joint venture of some $1.6M over the next twelve months.

Notes to the Financial Statements
For the Half-Year Ended 31 December 2004

2. LOSS FROM ORDINARY ACTIVITIES

	Consolidated Entity	
	31 December 2004 (6 Months) $	**31 December 2003 (6 Months) $**
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Interest revenue	33,565	30,921
Depreciation of plant and equipment	2,554	146,380

3. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

4. SEGMENT INFORMATION

The consolidated entity operated in one geographical segment, being Australia, and two industry segments being the mining sector and the information technology sector during the period ended 31 December 2004.

Primary Reporting – Industry Segments	Segment Revenues (6 Months)	Segment Revenues (6 Months)	Segment Results (6 Months)	Segment Results (6 Months)	Segment Assets 31 Dec	Segment Assets 31 Dec	Segment Liabilities 31 Dec	Segment Liabilities 31 Dec
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Mining	33,565	44,060	(90,631)	(386,226)	4,455,769	3,057,661	1,643,137	1,130,343
Information Technology	5,049	370,818	5,049	(114,670)	33,450	474,755	-	783,248
	38,614	414,878	(85,582)	(500,896)	4,489,219	3,532,416	1,643,137	1,913,591

4. SEGMENT INFORMATION (CONT'D)

Notes to and forming part of the segment information:

(a) Accounting policies
Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and revised segment reporting accounting standard AASB 1005 *Segment Reporting*. The comparative information is not required under AASB 1029: Interim Financial Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, plant and equipment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provisions. Segment assets and liabilities do not include income taxes.

5. COMMITMENTS

In order to maintain current rights of tenure to mining tenements, the consolidated entity has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

Not later than one year	$723,160
Later than one year, but not later than five years	$2,892,640
Later than five years	$0

If the consolidated entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

6. EARNINGS PER SHARE

	31 December 2004 cents per share	31 December 2003 cents per share
Basic loss per share	(0.027 cents)	(0.18 cents)
Diluted loss per share	(0.027 cents)	(0.18 cents)

	31 December 2004 $	31 December 2003 $
Earnings	(85,582)	(500,896)

	31 December 2004 Number	31 December 2003 Number
(a) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	314,755,630	267,411,368
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:		
Listed options	57,251,000	57,251,000
Unlisted options	24,749,600	59,749,600
Convertible redeemable preference shares	62,000,000	90,000,000
	144,000,600	207,000,600

7. IMPACT OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Halcyon Group Limited ("Halcyon") has commenced transitioning its accounting policies, systems and financial reporting from current Australian Accounting Standards to Australian equivalents of International Financial Reporting Standards ('IFRS'). The process for identification of the key impacts on the consolidated entity includes the completion of an impact assessment to identify the significant financial and systems changes required and the proposed actions to transition to A-IFRS. The consolidated entity allocated internal resources to conduct an initial impact assessment.

As Halcyon has a 30 June year end, priority has been given to the identification of initial financial impacts under AASB 1 First Time *Adoption of Australian Equivalents to International Financial Reporting Standards* and the preparation of an opening balance sheet as at 1 July 2004. This will form the basis of accounting of Australian equivalents to IFRS in the future and is required when Halcyon prepares its first comprehensive A-IFRS compliant financial report for the half year ended 31 December 2005. Set out below are the key areas where accounting policies will need to change with the possibility of financial impacts arising on transition to A-IFRS and in future reporting periods.

7. IMPACT OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – (CONT'D)

- AASB 112 – Tax assets and liabilities will be recognised using a balance sheet approach rather than an income statement approach. In addition, the criteria for recognising deferred tax assets relating to tax losses will change with recognition being based on whether recovery is "probable" rather than virtually certain. This may result in earlier recognition of a deferred tax asset than under existing Australian GAAP.

- AASB 2 –International ED2 will require that the fair value of options granted to employees and directors be expensed over the period from their grant date to vesting date, or at grant date if there is no vesting period.

- AASB 137 - Provisions, Contingent Liabilities and Contingent Assets, the consolidated entity will be required to fully provide, based on discounted future cash flows, for rehabilitation and restoration where there is a legal or constructive obligation. A corresponding asset, net of depreciation to the date of transition will be recognised and be depreciated together with development assets. The entity will be required to recognise the unwinding of the discount in relation to the provision applied directly as an interest expense.

- AASB 136 Impairment of Assets (Australian equivalent to IFRS), the recoverable amount of an asset or cash generating unit is determined as the higher of fair value less costs to sell and value in use. This will result in changes in the consolidated entity's current accounting policy, the determination of cash generating units and the calculation of recoverable amounts based on discounted cash flows. Under the new policy it is likely that any impairment of assets will be recognised at an earlier date and the amount of the write-down may be greater. Reliable estimation of the future financial effects of this change in accounting policy is not possible as the conditions and requirements under which impairment will be assessed are yet to be determined.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AASB equivalents to IFRS. As noted above these are expected to be the material areas of impact for the entity that have been identified.

HALCYON GROUP LTD

ABN 13 085 972 420

Directors' Declaration
For the Half-Year Ended 31 December 2004

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4-11:

   (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and

   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

____

M T Bojanjac
Director

Perth
Dated: 15 March 2005

Deloitte.

Deloitte Touche Tohmatsu
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Independent review report to the members of Halcyon Group Ltd

Scope

We have reviewed the financial report of Halcyon Group Ltd for the half-year ended 31 December 2004 as set out on pages 4 to 12. 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 1029 "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 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.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Halcyon Group Ltd 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 2004 and of its performance for the half-year ended on that date; and
  (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 15 March 2005