HALCYON GROUP LTD

ABN 13 086 972 429

Thursday, 8 June 2006
HCY:606/109

Notice of Extraordinary General Meeting

Please find attached the Notice of Meeting and Explanatory Statement for the Extraordinary General Meeting of Halcyon Group Ltd to be held on 12 July 2006.

Kind regards
HALCYON GROUP LIMITED

S. Caruso

Silvia Caruso
COMPANY SECRETARY

Level 2, 45 Richardson Street West Perth WA 6005
Telephone: 61 8 9481 2433 Facsimile: 61 8 9322 5907
PO Box 568 West Perth WA 6872
Website: www.halcyongroup.com.au

HALCYON GROUP LTD

ABN 13 086 972 429

NOTICE OF EXTRAORDINARY GENERAL MEETING

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EXPLANATORY STATEMENT TO SHAREHOLDERS

DATE AND TIME OF MEETING
(10.00am 12 July 2006)

Ground Floor, 45 Richardson Street,
West Perth, Western Australia 6005

The Directors recommend that shareholders read this Notice of Meeting and the Explanatory Statement in full before making any decision in relation to the Resolutions contained in this Notice of Meeting.
If you are unable to attend the Extraordinary General Meeting of Shareholders please complete and return the enclosed Proxy Form in accordance with the specified directions.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the extraordinary general meeting of shareholders of **Halcyon Group Limited ("the Company")** will be held on 12 July 2006 at 10.00am in the Boardroom, on Ground Floor, 45 Richardson Street, West Perth Western Australia 6005.

The Explanatory Statement and Proxy Form accompanying this Notice of Meeting are hereby incorporated in, and form part of, this Notice of Meeting.

AGENDA

The business to be considered at the Meeting is explained in further detail in the attached Explanatory Statement.

BUSINESS OF THE MEETING

To consider and if thought fit, pass the following ordinary resolution (with or without amendment):

1. **Resolution 1 - Approval of Facility for the Future Issue of Shares**

   "That for the purposes of ASX Listing Rule 7.1 and for all other purposes, this meeting hereby approves and authorises the Directors to issue and allot up to 75,000,000 Shares at an issue price of not less than 80% of the average closing price of the Shares on ASX over the last five trading days on which sales were recorded before the date of a future prospectus or placing agreement in relation to the proposed issue and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

2. **Resolution 2 - Ratification of Previous Allotment and Issue of Shares**

   "That for the purposes of ASX Listing Rule 7.4 and for all other purposes, this meeting hereby approves and ratifies the prior issue and allotment of 30,000,000 shares at an issue price of 1.2 cents each and otherwise on the terms and conditions set out in the Explanatory Statement accompanying the Notice of Meeting."

3. **Resolution 3 - Grant of Options to Mr Radonjic**

   "That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, this meeting hereby approves and authorises the Directors to grant within one month of the date of this Meeting, 6,000,000 Options to Mr Radonjic (or his nominee) on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

4. Resolution 4 - Grant of Options to Mr Bojanjac

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, this meeting hereby approves and authorises the Directors to grant within one month of the date of this Meeting, 3,000,000 Options to Mr Bojanjac (or his nominee) on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

5. Resolution 5 - Grant of Options to Mr Readhead

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, this meeting hereby approves and authorises the Directors to grant within one month of the date of this Meeting, 3,000,000 Options to Mr Readhead (or his nominee) on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Notes:

Who may vote
In accordance with regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the persons whose names are set out in the register of members of the Company as at 5pm WST, on 10 July 2006, are entitled to attend and vote at the meeting convened by this notice.

Proxies
Appointment: A Shareholder of the Company who is entitled to attend and vote at the meeting has a right to appoint not more than 2 proxies to attend and vote for the Shareholder at the meeting. Where a Shareholder appoints 2 proxies, the appointment may specify the proportion or number of votes which each proxy is appointed to exercise. If the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, then each proxy may exercise half of those votes. A proxy need not be a Shareholder of the Company.

Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.

Lodgement: To be valid, a proxy form must be received by the Company by 10.00am WST, on 10 July 2006 (**"Proxy Deadline"**). Proxies may be submitted:

a) by post addressed to Halcyon Group Limited, PO Box 568, WEST PERTH WA 6872; or
b) by facsimile at (08) 9322 5907.

A proxy appointment must be signed by the Shareholder or the Shareholder's attorney. Where the appointment is signed by a Shareholder's attorney, a certified copy of the authority, or the authority itself, must be lodged with the Company in one of the above ways by the Proxy Deadline. If facsimile transmission is used, the authority must be certified.

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, and any associate of such a person. However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

In accordance with the Corporations Act and Listing Rules, the following persons must not cast any votes on the following Resolutions, and the Company will disregard any votes cast on those Resolutions by:

Resolution	Excluded Voters
1	A person that may participate in, or obtain a benefit from (except a benefit solely in the capacity as a shareholder if the resolution is passed) the Resolution being passed or an associate of those persons.
2	A person that participated in the placement for which approval and ratification is sought or any associate of such a person.
3	A Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or an associate of the Director.
4	A Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or an associate of the Director.
5	A Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or an associate of the Director.

However, the Company need not disregard a vote if it is cast by:

a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

By order of the Board of Directors

Silvia Caruso
Company Secretary
7 June 2006

EXPLANATORY STATEMENT

This Explanatory Statement explains the items of business to be considered at the Meeting and should be read in conjunction with the Notice of Meeting. This Explanatory Statement comments on the Resolutions described below and is intended to assist Shareholders in understanding the background to and the legal and other implications of the Notice of Meeting and the reasons for the Resolutions proposed.
You are urged to give careful consideration to the Notice and the contents of this Explanatory Statement.

Certain terms used in this document are defined in Part 7 of this Explanatory Statement.

1. Resolution 1 – Approval of Facility for the Future Issue of Shares

ASX Listing Rule 7.1, provides that (subject to certain exceptions, none of which is relevant here), prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Whilst no current proposal exists for such a placement, the Directors consider it prudent that the Company avail itself the flexibility of a facility to issue up to 75,000,000 shares.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 4 to allow Shareholders to assess the proposed facility for the future issue of up to 75,000,000 Shares:

The maximum number of shares which may be allotted and issued is 75,000,000;

a) the Shares the subject of Resolution 1 would be issued and allotted no later than three months after the date of this Meeting or such later date as approved by ASX;
b) the issue price of the Shares proposed to be allotted and issued will be not less than 80% of the average market price of Shares on ASX over the last five days on which sales in the Shares were recorded before the date of the prospectus or placing agreement pursuant to which the Shares would be issued;
c) the allottees in respect of Resolution 1 are not, as yet identifiable, but will be subscribers to be identified by the Company and any brokers appointed by the Company to manage the issue. The allottees will not be related parties of the Company;
d) the Shares to be issued will rank pari-passu on allotment and issue with the existing Shares of the Company.
e) In the event funds are raised under the facility the Company would intend to use the funds raised the subject of Resolution 1 to provide funds for future exploration, possible project development and or potential acquisitions. Any surplus funds raised under this facility would be used for general working capital purposes.

2. Resolution 2 - Ratification of Previous Allotment and Issue of Shares

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which is relevant here), prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that where a Company subsequently ratifies an issue of securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing that Company's 15% capacity and enabling it to issue further securities up to that limit.

On 3 April 2006, the Company issued a total of 30,000,000 fully paid ordinary shares, at an issue price of 1.2 cents per share. Resolution 2 proposes the ratification and approval of the issue for the purpose of satisfying the requirements of ASX Listing Rule 7.4.
The information required to be provided to shareholders to satisfy ASX Listing Rule 7.4 is specified in ASX Listing Rule 7.5. In compliance with the information requirements of ASX Listing Rule 7.5, Shareholders are advised of the following particulars in relation to the allotment and issue:

a) date of allotment and issue of Shares .... 3 April 2006;
b) number of Shares allotted and issued 30,000,000;
c) issue price .... 1.2 cents;
d) the Shares rank equally in all respects with the existing Shares on issue;
e) the Placement shares were placed with the parties listed below:
f) Duketon Consolidated Ltd..30,000,000 Shares;
g) the allotment and issue were made for the purchase of tenements P24/3379 & 3380 & MLA24/751.

3. Resolution 3 – Grant of Options to Mr Radonjic

Resolution 3 seeks the approval of members to grant 6,000,000 Options to Mr Radonjic.

Shareholder approval of the grant of the options the subject of Resolution 3 is sought for the purposes of:

1) Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other "related parties" of a Company; and
2) ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue securities to a director without shareholder approval.

The object of Resolution 3 is to provide Mr Radonjic with a mechanism to participate in the future development of the Company and an incentive for his future commitment to the Company.

Terms of Options

Subject to shareholder approval, the Options will be granted on the terms and conditions set out in Annexure "A" to this Explanatory Statement.

Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a "related party" of the Company without first obtaining the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by, or an associate of, the related party.

Mr Radonjic is considered to be a related party of the Company for the purposes of the Corporations Act as he is a director of the Company. The proposed issue of Options to Mr Radonjic constitutes a financial benefit as defined in the Corporations Act. Accordingly, on the basis that the exceptions under the Corporations Act to the prohibition against the provision of financial benefits to related parties may not apply in the current circumstances, the Company has determined to seek Shareholder approval under Part 2E.1 of the Corporations Act to permit the issue of Options to Mr Radonjic.

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act, the following information is provided to shareholders to allow them to assess the proposed grant of options:

i. being a Director, Mr Radonjic is a related party of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of his nominee, sections 228(4) of the Corporations Act);

ii. the nature of the financial benefit to be given is the grant of 6,000,000 Options on the terms set out in Annexure "A" to this Explanatory Statement;

iii. Mr Radonjic is not entitled, and does not wish, to make a recommendation to Shareholders regarding Resolution 3 on the basis that he has an interest in the outcome of the Resolution;

iv. Messrs Readhead and Bojanjac recommend that Shareholders vote in favour of Resolution 3 on the basis that the Options to be granted provide Mr Radonjic with an appropriate incentive for his future commitment to the Company. Messrs Readhead and Bojanjac have no interest in the outcome of resolution3;

v. the Options are to be granted for no consideration;

vi. an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement;

vii. Mr Radonjic currently has a beneficial interest in 3,000,000 options exercisable at 2.5 cents on or before 4 September 2008; and 5,000,000 options exercisable at 2.8 cents on or before 30 November 2007;

viii. Mr Radonjic's current remuneration package, before taking into account the grant of the Options pursuant to Resolution 3, is $141,700 per annum (inclusive of statutory superannuation);

ix. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:

   (a) if all of the Options, the subject of Resolutions 3, 4 and 5 are granted and exercised, then the Company's fully paid share capital will be diluted by approximately 2.64% (based on the existing number of Shares). The Company will, however, receive subscription monies totalling $240,000. If, however, only the Options, the subject of this Resolution 3, are exercised, then the Company's fully paid share capital will be diluted by approximately 1.32% (based on the existing number of Shares). The Company will, however, receive subscription monies totalling $120,000.

   (b) the Directors consider that the incentive represented by the grant of Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration;

   (c) the number of Options proposed to be granted to Mr Radonjic was negotiated with Mr Radonjic at arm's length and is considered by the other Directors to be an appropriate remuneration for Mr Radonjic in light of his skill and experience and when considered together with the estimate of the value of the Options and his current remuneration package (as detailed above);

   (d) the primary purpose of the grant of Options is to provide an incentive to Mr Radonjic. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of Resolution 3.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions, (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolution 3 seeks this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11, is provided in the Resolution and the notes above.

4. Resolution 4 – Grant of Options to Mr Bojanjac

Resolution 4 seeks the approval of members to grant 3,000,000 Options to Mr Bojanjac.

Shareholder approval of the grant of the options the subject of Resolution 4 is sought for the purposes of:

1) Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other "related parties" of a Company; and

2) ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue securities to a director without shareholder approval.

The object of Resolution 4 is to provide Mr Bojanjac with a mechanism to participate in the future development of the Company and an incentive for his future commitment to the Company.

Terms of Options

Subject to shareholder approval, the Options will be granted on the terms and conditions set out in Annexure "A" to this Explanatory Statement.

Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a "related party" of the Company without first obtaining the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by, or an associate of, the related party.

Mr Bojanjac is considered to be a related party of the Company for the purposes of the Corporations Act as he is a director of the Company. The proposed issue of Options to Mr Bojanjac constitutes a financial benefit as defined in the Corporations Act. Accordingly, on the basis that the exceptions under the Corporations Act to the prohibition against the provision of financial benefits to related parties may not apply in the current circumstances, the Company has determined to seek Shareholder approval under Part 2E.1 of the Corporations Act to permit the issue of Options to Mr Bojanjac.

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act, the following information is provided to shareholders to allow them to assess the proposed grant of options:

i. being a Director, Mr Bojanjac is a related party of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of his nominee, sections 228(4) of the Corporations Act);

ii. the nature of the financial benefit to be given is the grant of 3,000,000 Options on the terms set out in Annexure "A" to this Explanatory Statement;

iii. Mr Bojanjac is not entitled, and does not wish, to make a recommendation to Shareholders regarding Resolution 4 on the basis that he has an interest in the outcome of the Resolution;

iv. Messrs Readhead and Radonjic recommend that Shareholders vote in favour of Resolution 4 on the basis that the Options to be granted provide Mr Bojanjac with an appropriate incentive for his future commitment to the Company. Messrs Readhead and Radonjic have no interest in the outcome of resolution 4;

v. the Options are to be granted for no consideration;

vi. an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement;

vii. Mr Bojanjac currently has no beneficial interest in the Company;

viii. An aggregate amount of $50,400 per annum (exc. GST) is due and payable to Forrest Corporate Pty Ltd, a company controlled by Mr Bojanjac, for the provision of executive Director services to the Company.

ix. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:

   (a) if all of the Options, the subject of Resolutions 3, 4 and 5 are granted and exercised, then the Company's fully paid share capital will be diluted by approximately 2.64% (based on the existing number of Shares). The Company will, however, receive subscription monies totalling $240,000. If, however, only the Options, the subject of this Resolution 4, are exercised, then the Company's fully paid share capital will be diluted by approximately 0.66% (based on the existing number of Shares). The Company will, however, receive subscription monies totalling $60,000.

   (b) the Directors consider that the incentive represented by the grant of Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration;

   (c) the number of Options proposed to be granted to Mr Bojanjac was negotiated with Mr Bojanjac at arm's length and is considered by the other Directors to be an appropriate remuneration for Mr Bojanjac in light of his skill and experience and when considered together with the estimate of the value of the Options and his current remuneration package (as detailed above);

   (d) the primary purpose of the grant of Options is to provide an incentive to Mr Bojanjac. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of Resolution 4.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions, (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolution 4 seeks this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11, is provided in the Resolution and the notes above.

5. Resolution 5 – Grant of Options to Mr Readhead

Resolution 5 seeks the approval of members to grant 3,000,000 Options to Mr Readhead.

Shareholder approval of the grant of the options the subject of Resolution 5 is sought for the purposes of:

1) Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other "related parties" of a Company; and
2) ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue securities to a director without shareholder approval.

The object of Resolution 5 is to provide Mr Readhead with a mechanism to participate in the future development of the Company and an incentive for his future commitment to the Company.

Terms of Options

Subject to shareholder approval, the Options will be granted on the terms and conditions set out in Annexure "A" to this Explanatory Statement.

Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a "related party" of the Company without first obtaining the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by, or an associate of, the related party.

Mr Readhead is considered to be a related party of the Company for the purposes of the Corporations Act as he is a director of the Company. The proposed issue of Options to Mr Readhead constitutes a financial benefit as defined in the Corporations Act. Accordingly, on the basis that the exceptions under the Corporations Act to the prohibition against the provision of financial benefits to related parties may not apply in the current circumstances, the Company has determined to seek Shareholder approval under Part 2E.1 of the Corporations Act to permit the issue of Options to Mr Readhead.

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act, the following information is provided to shareholders to allow them to assess the proposed grant of options:

i. being a Director, Mr Readhead is a related party of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of his nominee, sections 228(4) of the Corporations Act);

ii. the nature of the financial benefit to be given is the grant of 3,000,000 Options on the terms set out in Annexure "A" to this Explanatory Statement;

iii. Mr Readhead is not entitled, and does not wish, to make a recommendation to Shareholders regarding Resolution 5 on the basis that he has an interest in the outcome of the Resolution;

iv. Messrs Bojanjac and Radonjic recommend that Shareholders vote in favour of Resolution 5 on the basis that the Options to be granted provide Mr Readhead with an appropriate incentive for his future commitment to the Company. Messrs Bojanjac and Radonjic have no interest in the outcome of resolution 5;

v. the Options are to be granted for no consideration;

vi. an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement;

vii. Mr Readhead currently has no beneficial interest in the Company;

viii. An aggregate amount of $30,000 per annum (exc. GST) is due and payable to Magisterium Pty Ltd, a company controlled by Mr Readhead, for the provision of non-executive Director services to the Company.

ix. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:

   (a) if all of the Options, the subject of Resolutions 3, 4 and 5 are granted and exercised, then the Company's fully paid share capital will be diluted by approximately 2.64% (based on the existing number of Shares). The Company will, however, receive subscription monies totalling $240,000. If, however, only the Options, the subject of this Resolution 5, are exercised, then the Company's fully paid share capital will be diluted by approximately 0.66% (based on the existing number of Shares). The Company will, however, receive subscription monies totalling $60,000.

   (b) the Directors consider that the incentive represented by the grant of Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration;

   (c) the number of Options proposed to be granted to Mr Readhead was negotiated with Mr Readhead at arm's length and is considered by the other Directors to be an appropriate remuneration for Mr Readhead in light of his skill and experience and when considered together with the estimate of the value of the Options and his current remuneration package (as detailed above);

   (d) the primary purpose of the grant of Options is to provide an incentive to Mr Readhead. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of Resolution 5.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions, (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolution 5 seeks this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11, is provided in the Resolution and the notes above.

Note: Resolutions 3, 4 & 5

The highest and lowest ASX trading prices of the Company's fully paid shares in the last 12 months are:

High:	2.8 cents	**Date:**	8 May 2006
Low:	1.1 cents	**Date:**	23, 24 March 2006 and 20 January 2006

The latest available trading prices for fully paid ordinary shares was 2.0 cents of 6 June 2006.

5. Glossary of Terms

In this Explanatory Statement:

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means Australian Stock Exchange Limited (ACN 008 624 691).

"ASX Listing Rules" and **"Listing Rules"** means the official listing rules of ASX.

"Board" means the current Directors of the Company.

"Company" or **"Halcyon"** means Halcyon Group Limited (ACN 086 972 429).

"Corporations Act" means the Corporations Act 2001 (Commonwealth).

"Director" means a director of the Company.

"EGM" means Extraordinary General Meeting.

"Explanatory Statement" means this explanatory statement.

"Listing Rules" and **"ASX Listing Rules"** means the official listing rules of ASX.

"Meeting" and **"Shareholders' Meeting"** means the meeting of Shareholders convened by the Notice.

"Notice" and **"Notice of Meeting"** means the notice of extraordinary general meeting dated 7 June 2006 to which this Explanatory Statement is attached.

"Options" means an option to subscribe for a Share at an exercise price of 2 cents per share on or before 30 April 2011 and otherwise on the terms set out in Annexure "A" to this Explanatory Statement.

"Resolution" means each of Resolutions 1 to 5 set out in this Notice of Meeting.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a registered holder of a Share in the Company.

Annexure "A"

Terms and conditions of options

(a) Each option entitles the holder to subscribe for one Share in the capital of the Company at the exercise price of 2 cents per Share.

(b) Subject to paragraphs (c) below and to the Halcyon Group Limited Directors, the Options are exercisable at any time up to 5.00pm Perth time on 30 April 2011 by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Any Options not exercised by that time will lapse.

(c) An Option Holder may exercise some only of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 100 at a time, unless the Option Holder exercises all Options able to be exercised at that time.

(d) Subject to the Corporations Act 2001, the ASX Listing Rules, the Plan and the Company's Constitution, the Options are freely transferable. Application will not be made to ASX for official quotation of the Options.

(e) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.

(f) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 9 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.

(h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to 30 April 2011 the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(i) Option holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option holders.

Annexure "B"

Estimate of the value of options

An estimate of the value of the Options that are proposed to be granted (pursuant to the passing of Resolution 3, 4 and 5) using the Black and Scholes Options Pricing Model has been calculated as set out below:

Resolution	Name of Allottee	Number of Options	Estimated Value using Black & Scholes Model
Resolution 3	Radonjic	6,000,000	$46,691
Resolution 4	Bojanjac	3,000,000	$23,345
Resolution 5	Readhead	3,000,000	$23,345

The estimated value of the Options was calculated using the following assumptions:

1) Risk free rate of 5.73% based on the 5 year Australian Government Bond rate as at 2 May 2006;
2) Current share price of 2 cents;
3) Dividend yield of 0%;
4) Forecast volatility of 90%;
5) Liquidity discount of 30%: based on non-transferability and unlisted status;
6) Option exercise price of 2 cents; and
7) Option expiry date of 30 April 2011.

HALCYON GROUP LTD

PROXY FORM
EXTRAORDINARY GENERAL MEETING

Appointment of Proxy

I/We ____

being a Shareholder of Halcyon Group Limited entitled to attend and vote at the Meeting, hereby

Appoint ____

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Extraordinary General Meeting to be held at 10.00am on 12 July 2006 in the Boardroom, on Ground Floor, 45 Richardson Street, West Perth Western Australia 6005, and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of the resolution.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on the resolution, the proxy may abstain or vote at his or her discretion.

Directions on voting:

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval for the Facility for Future Issue of Shares	☐	☐	☐
Resolution 2	Ratification of Previous Allotment & Issue of Shares	☐	☐	☐
Resolution 3	Grant of Options to Mr Radonjic	☐	☐	☐
Resolution 4	Grant of Options to Mr Bojanjac	☐	☐	☐
Resolution 5	Grant of Options to Mr Readhead	☐	☐	☐

OR
If you do not wish to direct your proxy how to vote, please place a mark in the box. ☐

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of that interest. The Chairman intends to vote in the affirmative for all resolutions in relation to undirected proxies.

You must either mark the boxes directing your proxy how to vote or mark the box indicating that you do not wish to direct your proxy how to vote, otherwise this appointment of proxy form will be disregarded.
If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ________%

HALCYON GROUP LTD

The completed Proxy Form may be mailed to PO Box 568, WEST PERTH WA 6872 or faxed to the Company on +61 8 9322 5907. Proxies will only be valid if they are received by the Company no later than (10am WST, 10 July 2006).

Signed this day of 2006

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

Instructions for Completing Proxy Form

1) A shareholder entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2) A duly appointed proxy need not be a shareholder of the Company. In the case of joint holders, all must sign.

3) Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

   - 2 directors of the company;
   - a director and a company secretary of the company; or
   - for a proprietary company that has a sole director who is also the sole company secretary – that director.

   For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4) Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

5) Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.