Allied Technologies Group

5 August 2004

Ms Michelle Shek
Companies Adviser
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000

By facsimile : 02 9241 7620

Dear Michelle

Response to ASX Query : Allied Technologies Group Limited ('Company')

We refer to your letter dated 3 August 2004 with respect to the Company's Appendix 4C for the June 2004 quarter and respond below in the same order as your queries.

1. While cash reserves at 30 June 2004 were $546,000 and the net cash outflow from 'operating activities' for the quarter ended on that date was $1,348,000, it would not be correct to conclude the Company can only fund its activities for less than one quarter for the following reasons:

   a. During the quarter under review, the Company paid amounts totaling $1,228,135 in respect of goods and services for on selling in contracts commenced in that quarter for which payments from customers had not been received by the end of June 2004. In the industry in which the newly acquired group of companies operates, and with a significant proportion of its business being directly or indirectly with government departments, it is not unusual for large projects to be awarded and commenced in the run up to the end of June in any year. This situation involves significant set up costs that may have been invoiced to, but not paid by, the customer. It is for this reason that the Allied group of companies has a significant facility with its bankers the unused amount of which was $1,709,000 at 30 June.

   b. In the quarter ended on 30 June, the Company finalized the acquisition of the Allied Group Pty Ltd. This transaction involved various non-recurring expenses that were paid during the quarter amounting to $320,714.

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Quality Endorsed Company

Allied Technologies Group Limited

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2. The Company does not expect to sustain future net cash outflows at the level recorded in the June 2004 quarter.

3. The actual trading revenues and expenses during the quarter under review were greater than originally anticipated due to:

   a. the postponement by customers in earlier quarters of projects/ contracts until the quarter ended 30 June 2004, and

   b. the commencement of some contracts in the 30 June 2004 quarter that were not anticipated to commence until the following quarter.

4. When the Company obtained a clear view of the greater actual revenue and expenses referred to in 3. above, it made the appropriate announcement to the market through the ASX that the anticipated revenue and expenses had been exceeded, resulting in a greater projected profit than stated in the prospectus issued in March 2004. Greater payments relating to these increased revenues has had a short term negative effect on cashflows.

5. The Company has prepared appropriate forecasts and cash flow budgets, the highlights of which have been announced recently to the market through the ASX. These plans continue to be and are in accordance with the business objectives and strategies stated in the prospectus.

6. The Company confirms that it is in compliance with the listing rules, and in particular, listing rule 3.1.

7. The Company believes that it is in compliance with listing rule 12.2 and comments made above are appropriate in this regard.

Yours sincerely

John Fletcher
Chief Financial Officer

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3 August 2004

Lynette Roe
Company Secretary
Allied Technologies Group Limited
Level 8, 60 Pitt Street
Sydney NSW 2000

By facsimile: (02) 8259 4151

Dear Lynette

Allied Technologies Group Limited (the "Group")

I refer to the Group's Quarterly Report in the form of Appendix 4C for the period ended 30 June 2004 released to Australian Stock Exchange Limited ("ASX") on 30 July 2004, (the "Appendix 4C"), and to the Group's announcement dated 19 July 2004, (the "Announcement").

ASX notes that the Group has reported the following.

1. Receipts from customers of $5,259,000.

2. Net negative operating cash flows for the quarter of $1,348,000.

3. Cash at end of quarter of $546,000.

In light of the information contained in the prospectus, the Announcement and the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Group were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Group may only have sufficient cash to fund its activities for less than one quarter? Is this the case, or are there other factors that should be taken into account in assessing the Group's position?

2. Does the Group expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

3. To what extent have the Group's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Group's anticipated revenues and expenses for that reporting period?

4. If the Group's actual revenues and expenses are not substantially in accordance with the Group's anticipated revenues and expenses, when did the Group become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Group's revenues and expenses.

5. What steps has the Group taken, or what steps does it propose to take, to enable it to continue to meet its business objectives as set out in its prospectus? The Group's business objectives and strategies may have changed since the date of the prospectus. If so, this should be taken into account in your response.

6. Can the Group confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

7. Please comment on the Group's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (02) 9241 7620.** It should <u>not</u> be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie **before 9.30 a.m. E.S.T.) on Friday, 6 August 2004**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Group's securities.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

Michelle Shek
<u>Companies Adviser</u>

Direct Line: (02) 9227 0892