ALLIED TECHNOLOGIES GROUP LIMITED

LongReach
Switched On Solutions

7 June 2006

***ASX AND MEDIA ANNOUNCEMENT***

- **Established Defence Department Suppliers Allied Technologies and the Longreach Group today announced a planned merger.**

- **The combination will lay the foundation for the building of Australia's first ASX listed mid-tier supplier of integrated ICT based products, services and support, directed principally at the defence, security & intelligence sectors in Australia and internationally.**

- **The combined group will offer significant value through its combination of skills in "next generation" communications technologies and defence services, particularly in the rapidly growing network centric warfare environment.**

**Allied Technologies Group Limited (ASX: ATZ)** *specialises in the design, installation, integration and maintenance of communications networks for the delivery of secure voice, data, video and web based communications services and solutions principally to the Department of Defence and other Federal Government Departments and prominent corporate clients across Australia. It has cash reserves of approximately $8 million targeted for future "growth by acquisition".*

**LongReach Group (ASX: LRX)** *owns, develops and sells point to point wireless products and intelligent switches to a range of domestic and international customers comprising telecommunications carriers, defence organisations, governments and enterprise. The products are internationally renowned and have a significant installed base both in Australia and overseas. Longreach has commitments and global distributions agreements with Ericsson and Kongsberg, the latter being Norway's premier supplier of high-technology defence systems and a niche supplier to other international markets.*

*Longreach also owns a significant interest in Startronics, which is one of the largest diversified electronic manufacturer and repair businesses in Australia.*

"Both organisations have long standing relationships with the Department of Defence, intelligence communities and security departments with products and services which are non competitive and in fact complementary," Allied Chairman Michael Addison said when announcing the proposed merger. "We feel the merger is therefore not only logical, but well timed, given the huge multi billion dollar increases in the Australian Defence budget just announced,"

Longreach Chairman Allan Farrar agreed adding, "The merger will deliver significant benefits to shareholders and stakeholders of both companies, as well as provide the merged entity with a strong platform for future growth.

Both Chairmen agreed that future growth would come mainly through a series of "quality" acquisitions.

The members of both Boards of Directors have unanimously endorsed the transaction. The Longreach Board recommends the proposal to its shareholders, optionholders and convertible note holders.

Mr Addison said the combination of Allied and Longreach would bring together existing long standing relationships in the Defence and intelligence sectors, "as well as existing local and global sales of defence related products and services. The combined entity would have a strong balance sheet, excellent growth prospects, and would stand to benefit from significant economies of scale generated by the merger," he said.

Under the terms of the merger, to be implemented by way of a scheme of arrangement, it is proposed that Allied Technologies will acquire all of the issued shares in Longreach through the issue of 1 new Allied Technologies share for every 2.5 Longreach shares held by Longreach shareholders.

Based on the one month volume weighted average share price of Allied Technologies and Longreach as at 6 June 2006 of 20.00 cents and 6.31 cents respectively, the proposed terms represent a premium of 26.8% for Longreach shareholders.

Longreach currently has on issue approximately 2.8 million options, exercisable at various prices. Allied Technologies has agreed to offer Longreach optionholders 1 new Allied Technologies option for every 2.5 Longreach options currently held, with a corresponding inverse proportional adjustment to the respective option exercise prices.

Longreach also currently has outstanding approximately 45.3 million convertible notes with an aggregate face value of approximately $5.44 million. The notes are convertible into Longreach ordinary shares, at the option of the noteholders, at a price of 12 cents per Longreach share. Under the terms of the proposed merger, the Longreach noteholders will be offered the opportunity to exchange their convertible notes in Longreach for an equivalent aggregate value of convertible notes in Allied Technologies. The new notes in Allied Technologies will be convertible at the equivalent rate of 30.0 cents per Allied Technologies share. Application will be made for a listing of the new Allied Technologies convertible notes on the ASX.

Full details regarding the other terms and conditions to apply to the new Allied Technologies options and convertible notes are to be agreed by Allied Technologies and Longreach so as to represent fair and reasonable consideration to the respective Longreach optionholders and Longreach noteholders.

Each of the offers to the Longreach optionholders and noteholders will be implemented by way of separate schemes of arrangement.

It has been agreed that Michael Addison, the current Chairman and Managing Director of Allied Technologies, will retain the role of Managing Director of the merged entity whilst Dr Ken Carr, the Managing Director of Longreach, will join the Allied Technologies Board as an Executive Director. Allan Farrar, Longreach's Non-Executive Chairman, will assume the role of Non-Executive Chairman of the combined entity whilst Stephe Wilks, a Non-Executive Director of Longreach, will join the Allied Technologies Board as a Non-Executive Director.

Mr Addison said both Allied Technologies and Longreach would make a unique and valuable contribution to the merged entity.

"Together we aim to become a formidable force in Australia's defence, security and intelligence sectors."

On completion of the merger, current Longreach shareholders will hold an undiluted interest of approximately 57% of the merged company.

The proposed merger will be subject to a number of conditions precedent, including Court approval and the approval of Longreach shareholders.

Scheme documents are expected to be dispatched to Longreach shareholders, optionholders and noteholders in July 2006 and the Scheme meetings are expected to be held in August 2006. Assuming the appropriate approvals are received, the merger is expected to be completed in September 2006.

*Further information:*

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