montec International Limited
Making dairy foods healthier... naturally

Montec International Limited
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APPENDIX 4C – QUARTER ENDED 31 DECEMBER 2003

Montec International Limited's ("Montec International" or "the Company") quarterly report for entities admitted on the basis of commitments for the quarter ended 31 December 2003 is attached.

Key items of note in relation to the Company's consolidated cash flow for the December quarter are as follows:

Cash flow related to Operating Activities

Net cash flow from operations is weighted to the quarter ended 31 December 2003 when compared with operating cash flow for the 6 months to 31 December 2003 as the commercial activities of Montec International were appropriately resourced from November 2003.

Included within other working capital are payments to suppliers in respect of certain of the initial shipments of raw materials to Qingdao, China.

Cash flow related to Investing Activities

The investing cash outflows relate directly to commitments contemplated in the prospectus dated 22 September 2003, being:

- Equity investment cash outflow related to the equity investment in Chongqing Montec Co Ltd; and
- Investing cash outflow in respect of intellectual property relating to certain contracts acquired by Montec International from Montec Holdings Limited, and the exercise of the Call Option Deed between AFI Management Pty Limited and Montec International.

Cash flow related to Financing Activities

Financing cash inflow in the December 2003 quarter relates to funds raised through the initial public offering. The cash cost incurred in relation to the initial public offer is in excess of that presented in the prospectus, by virtue of additional costs that arose through an extended due diligence process. These additional costs were not anticipated by the Company at the time of prospectus preparation or during the offer period.

Ends

For further information contact:

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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

Montec International Limited

ABN	Quarter ended ("current quarter")
62 104 600 544	31 December 2003

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from customers	0	0
1.2	Payments for (a) staff costs	(104)	(108)
	(b) advertising and marketing	(89)	(95)
	(c) research and development		
	(d) leased assets		
	(e) other working capital	(393)	(536)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	55	56
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)	(21)	(21)
	Net operating cash flows	(552)	(704)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (6 months) $A'000
1.8	Net operating cash flows (carried forward)	(552)	(704)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	(132)	(132)
	(b) equity investments		
	(c) intellectual property	(4,068)	(4,077)
	(d) physical non-current assets		
	(e) other non-current assets	(49)	(49)
1.10	Proceeds from disposal of:		
	(a)businesses (item 5)		
	(b) equity investments		
	(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)		
	Net investing cash flows	(4,249)	(4,258)
1.14	**Total operating and investing cash flows**	(4,801)	(4,962)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	10,000	10,254
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 – Initial Public Offer costs	(1,456)	(1,456)
	Net financing cash flows	8,544	8,798
	Net increase (decrease) in cash held	3,743	3,836
1.21	Cash at beginning of quarter/year to date	98	5
1.22	Exchange rate adjustments to item 1.20		
1.23	**Cash at end of quarter**	3,841	3,841

+ 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	(199)
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Payments comprise of salary & allowances paid to Directors of the parent entity, a reimbursement of operating costs borne by a related entity on behalf of Montec International Ltd, and a consulting fee paid to a related entity for services rendered with respect to operations prior to the initial public offering.

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

In addition to shares in Montec International Ltd to the value of $180,000 issued as part of the transfer of certain assets and liabilities from Montec Holdings Ltd to Montec International Ltd, there have been shares to the value of $352,300 issued in respect of certain rights. The shares issued in respect of the ascribed values attributable to rights were reflected in the total issued share capital presented in the company's prospectus.

In respect of the payment for acquisition of an interest in Chongqing Montec Co Ltd, and in addition to the cash consideration of $131,605 there have been shares to the value of $150,000 issued to vendors' in respect of 15% of Chongqing Montec Co Ltd. These shares issued in respect of the 15% interest in Chongqing Montec Co Ltd were reflected in the total issued share capital presented in the company's prospectus.

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

None noted.

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
3.1	Loan facilities		
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

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	540	98
4.2 Deposits at call	3,301	
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,841	98

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	Chongqing Montec Co Ltd	
5.2	Place of incorporation or registration	Chongqing, China	
5.3	Consideration for acquisition or disposal	$131,605 cash & $150,000 shares	
5.4	Total net assets	$29,508	
5.5	Nature of business	Management of Technology implementation with dairy company clients as approved by Montec International and raw materials procurement and handling.	

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.

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

Sign here: **Original signed by Malcolm Campbell** Date: **30 January 2004**
Managing Director

Print name: **Malcolm Campbell**

Notes

+ See chapter 19 for defined terms.

1. 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.