

**ASX/Media Release**

**25 May 2004**

**Special Report to Montec International Limited Shareholders**

Given the substantial progress by Montec International Limited ("Montec" or the "Company") since listing on the ASX in mid November 2003, it is timely given the generation of the first royalty receipts in China, to provide shareholders with a report on the valuable progress made.

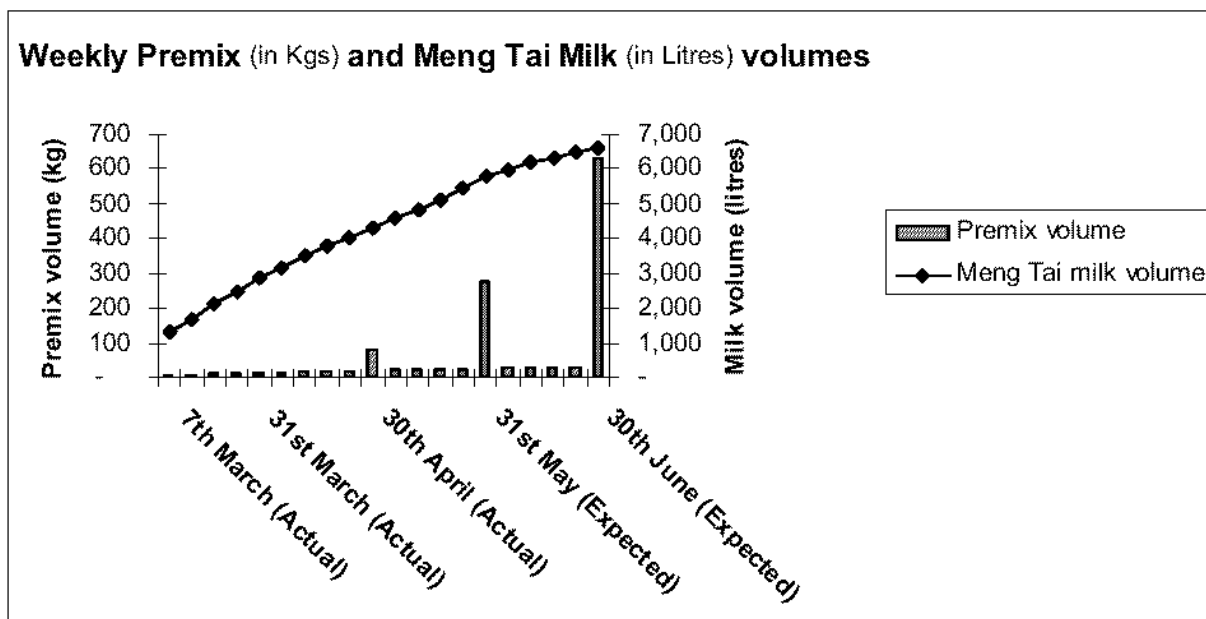
The achievement of the objectives set out in the Company's prospectus can be seen through a review of the key milestones set out below.

▪ Successful ASX Listing	12 November 2003
▪ Exercise of the Asia Pacific Call Option and other contractual arrangements to secure the intellectual property for monounsaturated dairy	14 November 2003
▪ First shipment of monounsaturated dairy premix to Qingdao, China	3 December 2003
▪ Completion of Montec's 'Meng Tai' trademark application, finalisation of the milk packaging designs, receipt of most Chinese statutory approvals and "Meng Tai" milk packaging ordered. Point of sale merchandising and in-store promotional materials developed and the media advertising campaign finalised	15 December 2003
▪ Full production trial completed and supermarket entry approval gained for both UHT and Fresh products	29 January 2004
▪ Montec's 'Meng Tai' milk on sale in Qingdao, China through supermarkets (direct entry)	23 February 2004
▪ Montec's 'Meng Tai' milk on sale in Qingdao, China through wholesale and vendor network	8 March 2004
▪ Montec's 'Meng Tai' milk on sale in Qingdao, China through agents	15 March 2004
▪ Montec announced its intention to progress 'Meng Tai' milk distribution through greater China via the National Agency Network, commencing with Beijing	24 March 2004
▪ Official launch of 'Meng Tai' product and commencement of the media campaign	2 April 2004

The milestones listed above were necessary as a foundation for the business of Montec to be conducted in China. Qingdao, a port city approximately 700 kilometres to the South of Beijing has proven to be the ideal 'pilot' city for Montec to launch its initiative, as Qingdao has broad demographic characteristics, being coastal it is a holiday destination for people from all over mainland China, and enjoys a population of approximately 7.5 million people through out the year.

To better understand the potential of Montec, a review of the week to week growth in 'Meng Tai' milk sales volume is worthwhile, as 'Meng Tai' milk sales translate to Mono Pure premix ("premix") sales. This premix demand is the basis of Montec's business.

The following graph presents the weekly sales volume in litres of 'Meng Tai' milk since introduction to the Qingdao market and the corresponding lift in weekly premix sales volume for the two month period to 30 April 2004 extended to show the expected sales volumes based on existing usage patterns and forward purchase orders for the two months to 30 June 2004.

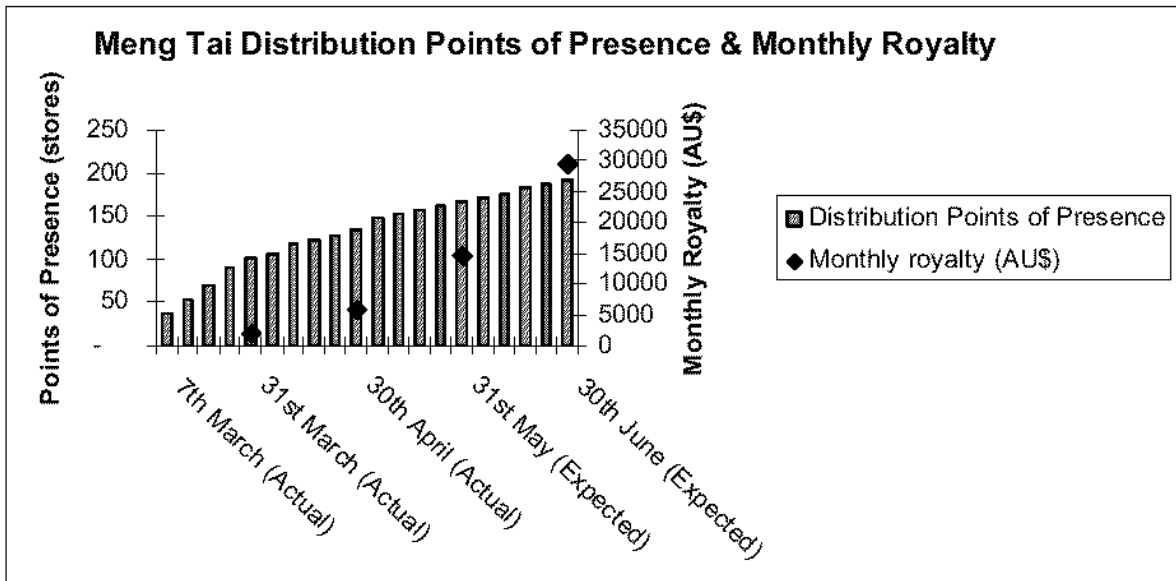


It is important to note that every litre of 'Meng Tai' milk sold equates to a royalty of AUD17.7 cents per litre of milk, or AUD\$40.18 per kilogram of premix sold as one kilogram of premix produces approximately 227 litres of 'Meng Tai' branded monounsaturated milk.

In the above chart, the lift in premix volume in the last week of each month represents the release of inventory to fill forward orders. These orders are being placed by Montec's dairy counterparty which is building premix inventory levels as a buffer in the

lead up to the manufacture of 'Meng Tai' milk products for release into the Beijing arm of the National Agency Network. These premix volumes, combined with premix volumes utilised in the manufacture of product for the Qingdao market, are the basis for the royalty presented in the table below.

The trend in premix royalty revenue earned, or expected to be earned, on the above sales volumes through to 30 June 2004 is as follows:



The impressive lift in royalties through the period has been a result of an efficient product roll out and selection of prime retail points of presence to secure distribution reach.

As was announced on 24<sup>th</sup> March 2004, Montec has actively pursued an opportunity to participate in the National Agency Network which services greater China, including the important markets of Beijing and Shanghai. For context, the markets of Beijing and Shanghai alone represent markets of 30 million and 20 million people respectively. Due to their superior demographics these two cities, combined with their outer-lying regional cities and provincial areas, have the capacity to deliver up to 80% of the market potential of the Montec product.

The agreed terms with the National Agency Network are particularly encouraging. Under the terms of the agreement, Montec will be required to initially deliver a minimum of 1,000 tonnes (one million litres) per month of total 'Meng Tai' milk products into the distribution network. This delivery capacity is to build to 3,000 tonnes per month by the end of the first 12 month period. Whilst the distribution network as the name suggests is national, Beijing and Shanghai will be the initial focus with a target commencement date of September 2004.

Dr Xueqin Du, an Executive Director of the Company, is currently focussed on the product extension potential of Montec's intellectual property. Over the next two months Dr Du will be actively working with certain of the Company's counterparties to develop a range of monounsaturated dairy products beyond natural 'Meng Tai' milk. As these product extensions clear the necessary mandatory Chinese testing regime, they will be also made available to the existing distribution channels. In addition to natural 'Meng Tai' milk the Company expects to have four other products available for introduction into the National Agency Network.

Whilst China is currently the focus of the Company's activities, good inroads have been made in progressing opportunities for Montec's products in other regions, including a range of vertical markets both in Australia and other parts of the Asia Pacific region.

The Company greatly values the ongoing support of its shareholders, and is completing initiatives to make this information and future reports available in both electronic and static media form to keep shareholders fully informed of our progress.

Yours Faithfully

Montec International Limited

A handwritten signature in black ink, appearing to read 'Malcolm Campbell', written in a cursive style.

Malcolm Campbell  
Managing Director