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montec International Limited
Making dairy foods healthier... naturally

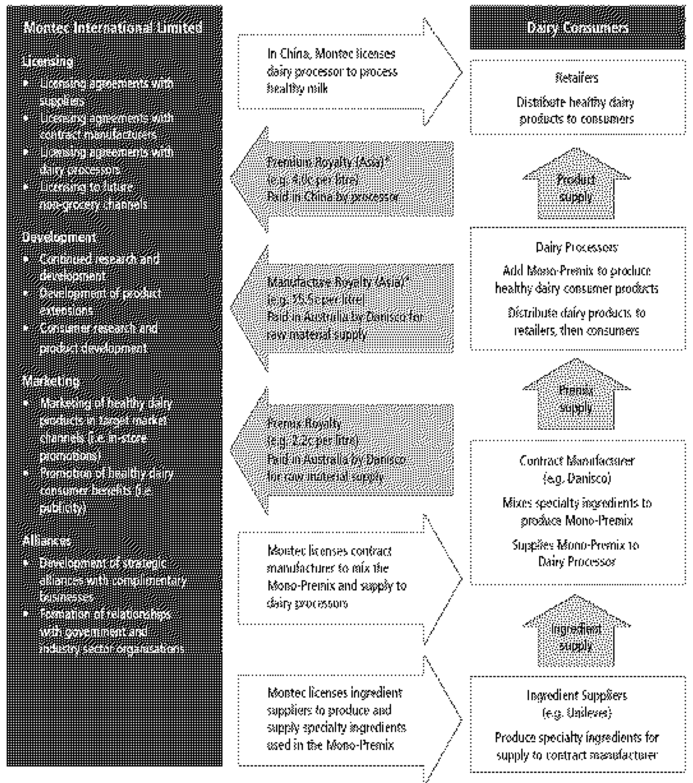
Montec Revenue Flow

The revenue chart shown was detailed in Montec's Prospectus dated 22 September 2003.

Montec is now deriving revenue from Australia and China.

In Australia Montec receives a Premix Royalty only. Currently this royalty is equivalent to 2.2 cents per litre.

In China Montec can confirm it is currently receiving 17.7 cents per litre being the combined Premix Royalty and Manufacture Royalty. The promotional pricing introduced since launch on 1st March 2004 has not included a premium royalty as this will be considered prior to national market entry following consumer market research with existing customers. It should be noted that the 15% share of the Premium royalty and Manufacturing Royalty in respect of products sold in China that is to be shared with the Chinese national shareholders of Chongqing Montec Co Ltd as set out in the prospectus remains unchanged at this time.



Mel's Montec Memo

By Melinda Gainsford-Taylor

Obesity and in particular childhood obesity is regular topic in the media.

It is interesting to see the fast food outlets changing their menus to provide healthy alternatives, as a response to the constant media pressure.

I spend a lot of time working with children to encourage them to participate in sporting and other physical activity. An important part of the education process is to teach the importance of diet.

In the coming months I will be working closely with Montec to investigate potential promotional programs that encourage kids to get out and exercise, eat well and have fun. A key benefit of the programs will be to raise the awareness of the products that utilize Montec's technology and Montec itself.

As we all know we have an aging population which is expected to have a major impact on the health budget, I recently read an interesting report titled *"Estimated Healthcare Savings Associated With Adequate Dairy Food Intake"*. This was a US study that appeared in The American Journal of Hypertension.

One of the findings of the report was "From the calculated annual impact, we generated first-year and fifth-year healthcare cost savings that would accrue if adult Americans simply increased their intake of dairy foods to the currently recommended 3 to 4 servings per day. Using conservative estimates of potential benefit, we project first-year savings of approximately $26 billion and 5-year cumulative savings in excess of $200 billion."

Given the similar nature of

lifestyle and diet of Australians and Americans it would be interesting to see the savings that could potentially be made here.

Until next time
Mel

Melinda Gainsford-Taylor

Montec International Limited
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Newsletter #1

28th June 2004

montec International Limited
Making dairy foods healthier... naturally

Montec News

Inside this issue:

For Your Diary

- Investor Update Meeting Sydney August 2004
- Investor Update meeting Melbourne September 2004
- AGM—November 2004

Further details on dates and locations will be provided in upcoming newsletters and on the website.

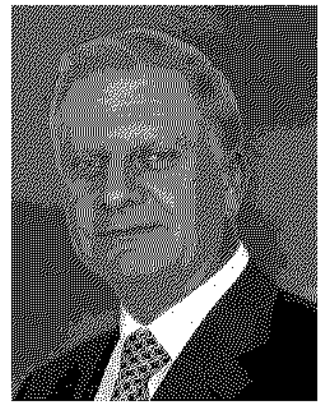
From the Managing Director

Dear Shareholder,

Welcome to the first issue of "Montec News". The Directors and Management of Montec will use this publication to keep you updated on the latest progress of the company as well as informing you of upcoming events, such as investor update meetings and of course the AGM.

I am very pleased to report that following much hard work we have successfully launched our first product into Qingdao, China and royalties from the sale of product in China are now being received here in Australia. A more detailed report of this activity is included later in this newsletter.

As flagged in a number of recent ASX releases we have noted the opportunity which the National Agency Network in China presents to Montec. The initial focus of Montec's involvement with the National Agency Network will be centered on Beijing and Shanghai. The pursuit of the National Agency Network opportunity requires an additional period of time for our dairy processing partners to increase their level of production, resulting in the commencement of the Meng Tai



Malcolm Campbell
Managing Director

rollout timetable being extended accordingly. Due to this adjustment in the timeline the commencement of the forecast additional revenues has been extended.

Included with this newsletter is a brochure produced to support the launch of our Meng Tai Milk product into the Chinese market. The official launch in the China market of our Meng Tai Milk product was held on April 2. The launch ceremony was attended by officials from the Ministry of Agriculture, Senior AusTrade Representatives, Montec Management and Media Outlets. As a result of the event Montec received positive media exposure both on television and in the press.

You will also find a Shareholder Contact Election form and reply paid envelope. The purpose of the form is to allow you to elect to receive notification of the Annual Report by email. In addition it allows you to elect to receive the newsletter by email. In future we intend to release the newsletter in electronic form only, available also on our website.

While we have been very focused on the launch of Meng Tai in Qingdao we are also working to extend the range of products that utilize our patented technology. Dr Du, our Director of Product Development, who was critical in the China product launch has now turned her full attention to the product development process. I look forward to providing regular updates and invite all shareholders to forward questions or concerns to us. This newsletter is a vehicle to provide relevant and useful information and as such we welcome any suggestions for articles that you wish to be included.

Yours sincerely

M Campbell

Montec Launches New Website and Investor Relations Service

In order to provide timely information and to better service shareholder enquiries, Montec has updated its website with a new look and updated content to include an investor relations section.

This is the first of three stages in the website redesign. The second stage will include updated corporate profile information and the third stage will be providing additional investor relations functionality.

Montec has also assigned a dedicated phone number to service investor relations questions and requests. The details are as follows:

Investor Relations Team
Montec International Limited
Phone: 02 9251 6256
Fax: 02 9251 6544

SPECIAL REPORT TO MONTEC INTERNATIONAL SHAREHOLDERS

The following article was announced to the ASX on the 25th May, we reproduce it here for shareholders who may not have seen the announcement.

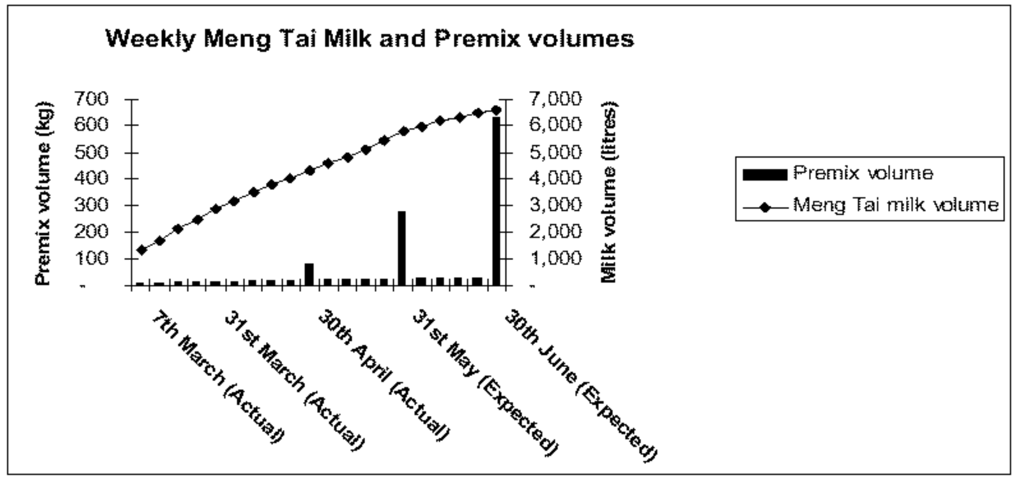
Given the substantial progress by Montec International Limited ("Montec" or the "Company") since listing on the ASX in mid November 2003, it is timely given the generation of the first royalty receipts in China, to provide shareholders with a report on the valuable progress made.

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.

The milestones listed below were necessary as a foundation for the business of Montec to be conducted in China. Qingdao, a port city 900 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.



"...every litre of 'Meng Tai' milk sold equates to a royalty of AUD17.7 cents..."

MONTEC MILESTONES

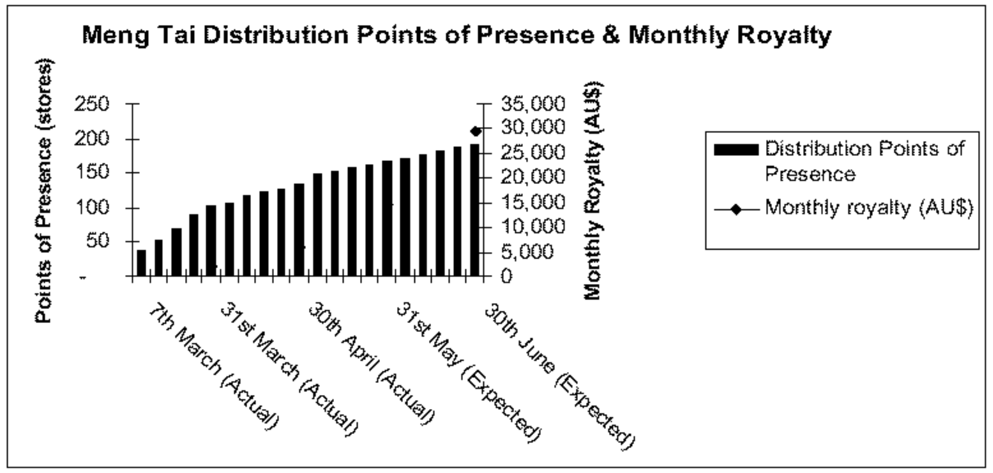
Successful ASX Listing	12 November 2003
Exercise of the Asia Pacific Call Option and other contractual arrangements to secure the intellectual property for monounsaturated dairy	14 November 2003
First shipment of monounsaturated dairy premix to Qingdao, China	3 December 2003
Completion of Montec's 'Meng 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

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 24th 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 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.

"delivery is to build to 3,000 tonnes per month by the end of the first 12 month period"

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

Malcolm Campbell

Managing Director