

ASX RELEASE

4 November 2004

National Agency Network Agreement

and

Tianjin Haihe Dairy Co Ltd Processing Licence

The Board of Montec International Limited ("Montec" or the "Company") is pleased to announce the signing of agreements that commence Montec's entry into a vast sales channel via the National Agency Network ("NAN") within China. The NAN agreement provides access to the key markets of all major cities nationally for 'Meng Tai' monounsaturated milk products and distribution will commence in Shenzhen which borders Hong Kong. This location represents a key initiative in Montec's sales growth planning due to the substantial opportunity to meet the demand for healthier dairy products within Hong Kong in the near future. Shenzhen allows for commencement of the Southern China operations whilst key markets in the North such as Beijing and Shanghai will be supplied directly out of Tianjin (near Beijing) pursuant to arrangements that are dedicated to Northern China. The Northern China operations will commence with Beijing and Shanghai due to the sheer size and potential of these two cities. Both the Northern and Southern China operations are expected to operate in tandem within the first quarter from launch.

The NAN arrangements allow for the successful negotiation of processing capacity from Tianjin Haihe Dairy Co Limited to be capitalised on. Montec is grateful to the Ministry of Agriculture, Central Dairy Project Office Beijing for assisting Montec to secure the necessary processing capacity to enter NAN. The NAN agreement specifies minimum standards of performance and sales targets of 1,000,000 litres per month and 3,000,000 litres per month respectively of 'Meng Tai' liquid milk products. These products are predominately Ultra Heat Treated (UHT) long life and/or Extended Shelf Life (ESL) in nature. The initial term of the NAN agreement is 12 months, subject to annual renewal. Montec will continue to derive a royalty of AU\$40.18 per kilogram of premix sold into the monounsaturated milk manufacture process (AU\$0.177 per litre of finished product manufactured).

Under the agreement, Montec has no investment in finished milk products with all product risk borne by the NAN counter-parties until such time as the product is delivered to NAN's Central Distribution Warehouse for distribution through the agency network. It is at this point that NAN

bears the commercial risk. Pursuant to the agreement, NAN or NAN counter-parties pay the dairy processor on receipt of finished product. Payment terms by NAN average 45 days based upon 30 day standard trading terms with an additional 15 day reconciliation/settlement period. Montec will collect its royalty 30 days from the sale of premix into the manufacturing process.

Montec has an obligation to fund 'one off' market entry costs of the 'Meng Tai' branded products into the network in the form of merchandising, marketing and advertising commitments due to brand ownership. This expenditure will be managed totally by Montec, with a commitment of AU\$870,000 for Southern China made over the first 12 month period. This expenditure also covers the cost of proprietary ownership of bar codes and other supermarket entry requirements that benefit Montec brand ownership. Further, this commitment is one-off in nature and has enduring benefits that can be utilised in locations throughout China, and provides Montec with a level of autonomy in product sales execution.

Montec will also invest up to AU\$2,000,000 in funding for expansion via NAN throughout Northern China. The main concentration of marketing activities is focussed on Beijing, Shanghai and surrounding cities thereof. In addition, NAN's contribution towards these costs is as high as 25%, and in some cities should exceed that percentage relative to the Company's marketing spend over the period. NAN also has an ongoing requirement to fund merchandising and marketing after the first year. Montec has no significant ongoing commitment after the first year of network entry given the initial establishment of the brand has been achieved.

Montec has secured the necessary liquid milk supply and processing capacity to service the finished product sales objectives set out in the NAN agreement (referred to earlier) through the Tianjin Haihe Dairy Co Ltd. The agreement that provides for this was signed contemporaneously with the NAN agreement.

Montec's intention is to have the first 'Meng Tai' product enter the NAN before 31st December 2004, with a potential impediment to this objective being a delay in finished goods packaging. Montec is working diligently to meet this target. However if our packaging requirements cannot be expedited the Company will launch immediately after the spring festival being held from 8th February for 10 days, as the peak winter month of January is not a preferred new product launch period. Montec successfully launched 'Meng Tai' in its test market of Qingdao in the period immediately post the spring festival earlier this year.

The execution of the NAN and Tianjin processing agreements is a major milestone for the development of the Company's business in China and provides a platform for the Company to deliver significant value to shareholders.

The Company's activities through the National Agency Network are designed to co-exist with any commercial arrangements that may be reached with Beijing Sanyaun Foods Co Ltd.

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