Montec International Limited

montec
International Limited
Making dairy foods healthier... naturally

Presentation Overview

1. Company Background
2. Company Operations

Company Background

Background

Expansion

Immediate Expansion Opportunities

- Accelerate distribution in China with the National Agency Network
- Expand Australian and New Zealand marketing
- Expand to Japan, Singapore, Taiwan and Thailand
- Product extensions
- Expand to non-grocery channels

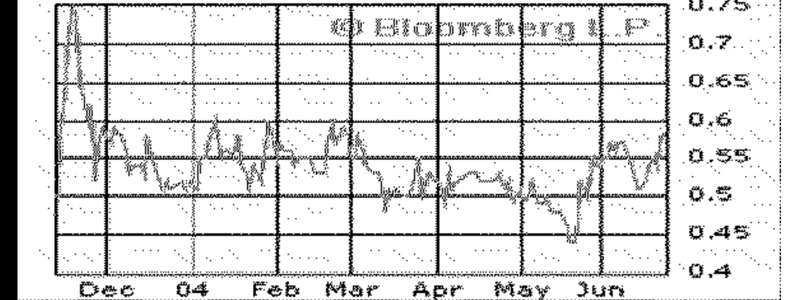
Highlights

Technology Highlights

High Growth	High growth in demand for healthy dairy over general dairy
Defensive Sector	Low correlation between milk consumption and share market volatility
China Growth	High growth in milk consumption to 18 billion litres pa by 2015
Alliances	Danisco, Unilever, ISP, Central Dairy Project Office, National Agency Network, Qingdao Dairy General Corporation etc
Health	Targets cardiovascular disease, a leading cause of death globally
Competitive Advantages	Competitive advantages for dairy counterparties ▪ High growth consumer sector ▪ Preserves good cholesterol. No bad cholesterol ▪ Taste and consistency ▪ Standard processing ▪ Support by governments and authorities ▪ International supply arrangements ▪ Continued development of products and markets

Performance

Share Performance



- 30 Day Moving Average : 30 June 2004: $0.55
- Price at 30 June: $0.56 per share
- 52 week high: $0.78 per share
- 52 week low: $0.44 per share

Company Ownership as at 30th June 2004

Share Ownership	Shares Million	%
Public Shareholders	41.65	76.68%
Founder and Directors	12.67	23.32%
Total	54.32	100%

Options	Options Million	%
Public Shareholders	7.92	61.30%
Founder and Directors	5.00	38.70%
Total	12.92	100%

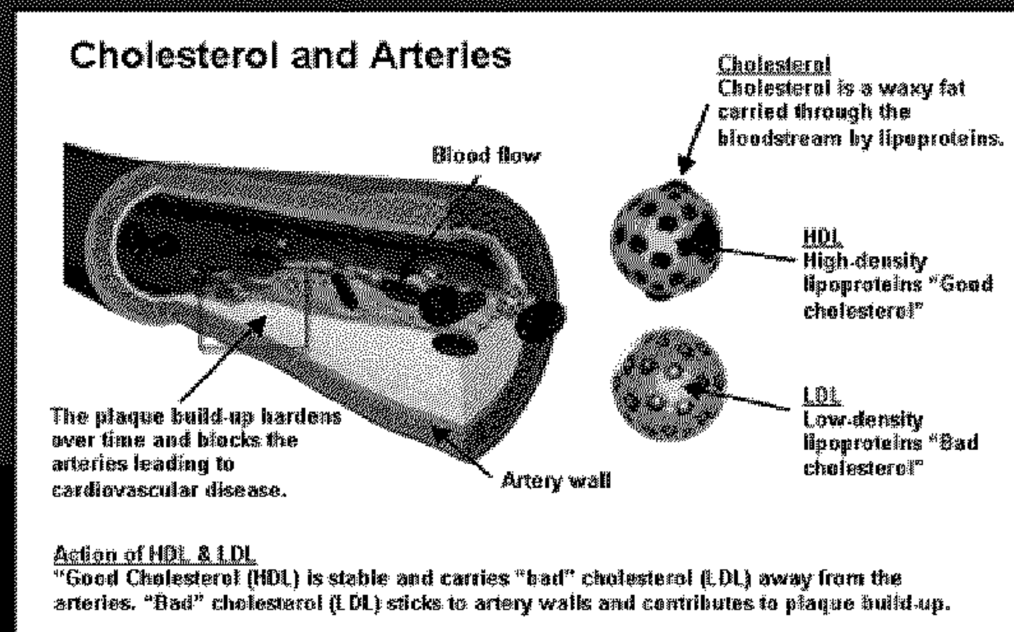
Ownership

Core Product

CORE PRODUCT – HEALTHY DAIRY

Patented Premix formula

- Added to dairy products (milk)
- Replaces saturated fat and cholesterol (harmful) with mono-unsaturated fat (healthy)
- Creamy Taste



Application


Core Application – Healthy Dairy Products

- Provides dairy processors with advantages including higher margins
- Used in Farmers Best Milk for 12 years and Meng Tai milk in China
- Consumer and manufacturer trend towards healthy foods
- 5 -Year program to extend the formula to 14 healthy dairy products to include ice-creams, yoghurts, dips, spreads and cheeses
- Plans to extend channel scope to include non-grocery distribution channels such as fast food and specialty outlets

Milestones

Development 1987-1991 → Commercialisation 1992-2002 → Expansion From 2002

Development

- Research and development from 1987 to 1992

Commercialisation

- Farmers Best milk captured 5% NSW milk market within 10 weeks
- More than $200 million sales in NSW
- Establishment of China operations and preliminary negotiations

Milestones

Development 1987-1991

Commercialisation 1992-2002

Expansion From 2002

Expansion

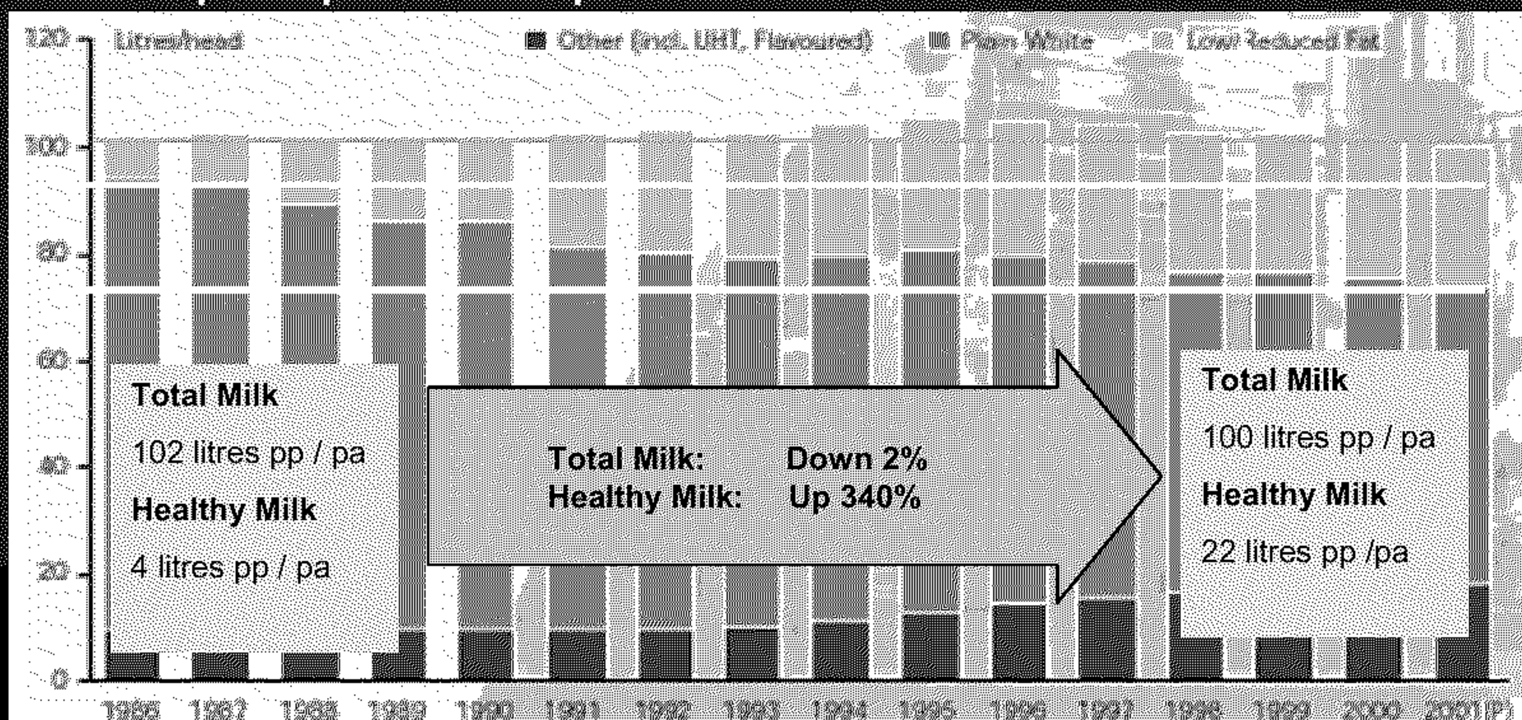
- 2002: Agreements executed with CDPO and QDGC
- 2003: Positive results from AC Nielsen consumer trials
- 2003: China brands and trademarks registered
- 2003: Australian Stock Exchange Listing
- 2004: Certification in China
- 2004: Distribution of Meng Tai via China supermarkets
- 2004: Distribution of Meng Tai via wholesale and vendor networks
- 2004: Product extensions
- 2004: Expansion of distribution channels

Australia and NZ Markets

- Australia (1990 to 2001) : 1.9 billion litres per annum
  - Overall 54% rise in consumption of healthy dairy
  - Overall 14% fall in consumption of general dairy

- New Zealand : similar trends to Australia : 360 m litres pa

Australia per capita consumption trends



Australia/NZ

Asia Markets

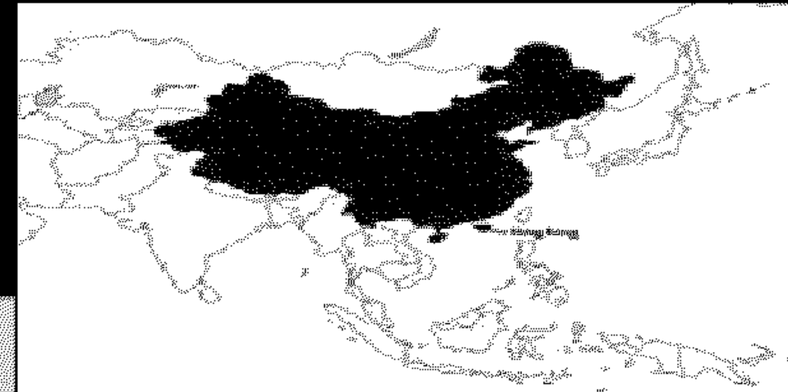
Food and Agriculture Organisation of the United Nations:

*"Amongst the developing countries, consumption of milk and milk products is expected to grow most strongly in Asia, which is projected to account for almost **55 percent** of growth in world demand"*

Region	1998 Consumption (Million litres)	2010 Consumption (Million litres)	Growth
Korea	2,199	3,448	63%
Thailand	1,434	2,538	77%
Malaysia	1,110	1,623	46%
Japan	10,725	11,409	6%

Asia

China

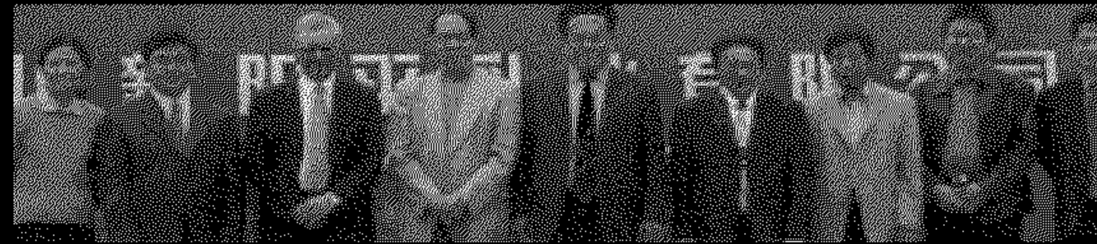


Total estimated population	1.3 Billion people
GDP growth	9.9% to March 2003. Estimated 9.4 % 2004
Montec Margin (Meng Tai Milk)	AU 17.7 c per litre + premium
Dairy industry growth	10% per annum
Milk consumption 2001	9.2 billion litres
Milk consumption 2015 (est)	18.1 billion litres
Highest consumption	Shanghai and Beijing (50%)
Urban milk 2001	8.27 billion litres (90% total)
Urban milk 2015	16.40 billion litres (90% total)
Counterparties	QDGC, CDPO, NAN

China

China

Montec in China



Danisco
- Processing, importing, warehousing and logistics facilities
- 10-year global partnership – paid in Australia
- One of world's largest dairy processors

China Governments (CDPO)
- Dairy sector governing body + European Union
- Contract to promote Montec throughout China and arrange meetings
- Health + WTO competitive advantages

QDGC
- Montec paid 17.7c for ingredients + premium margin
- Co-branding to leverage market position

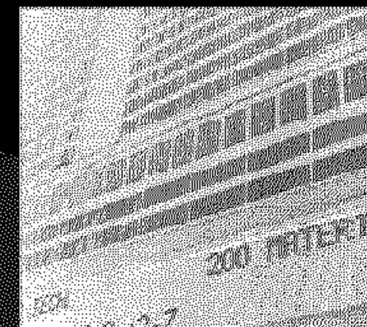
National Agency Network
- Major distributor to wholesale and retail channels
- Minimum volume of 1 million to 3 million litres per month

Montec

Operations

First Half – FY04

1st Half : July 2003 to December 2003



ASX Listing

Pre-Requisites for China Launch

- Successful consumer trials in China
- Finalisation of agreements with Qingdao Dairy
- Finalisation of arrangements with Australian Co-operative Foods
- Shipments of mono premix to Qingdao
- Completion of Meng Tai trademark application
- Finalisation of China milk packaging designs
- Receipt of Chinese statutory approvals
- Conclusion of point of sale merchandising materials
- Conclusion of in-store promotional materials and arrangements
- Conclusion of media advertising campaign

Second Half – FY04

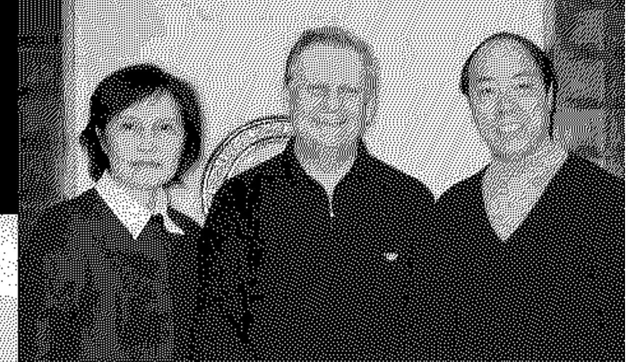
2nd Half : January 2004 to June 2004

Meng Tai Milk Launch

- Completion of milk production trial
- Supermarket approvals secured
- Distribution via supermarkets and wholesale channels
- Indicative terms agreed for national distribution with NAN
- Negotiations non-grocery channel distribution
- Doubling of monthly enterprise premix revenues
- Plans established for entry to Beijing and Shanghai
- Plans to launch 4 product extensions in 2004

First Quarter – FY05

1st Quarter : July 2004 to September 2004

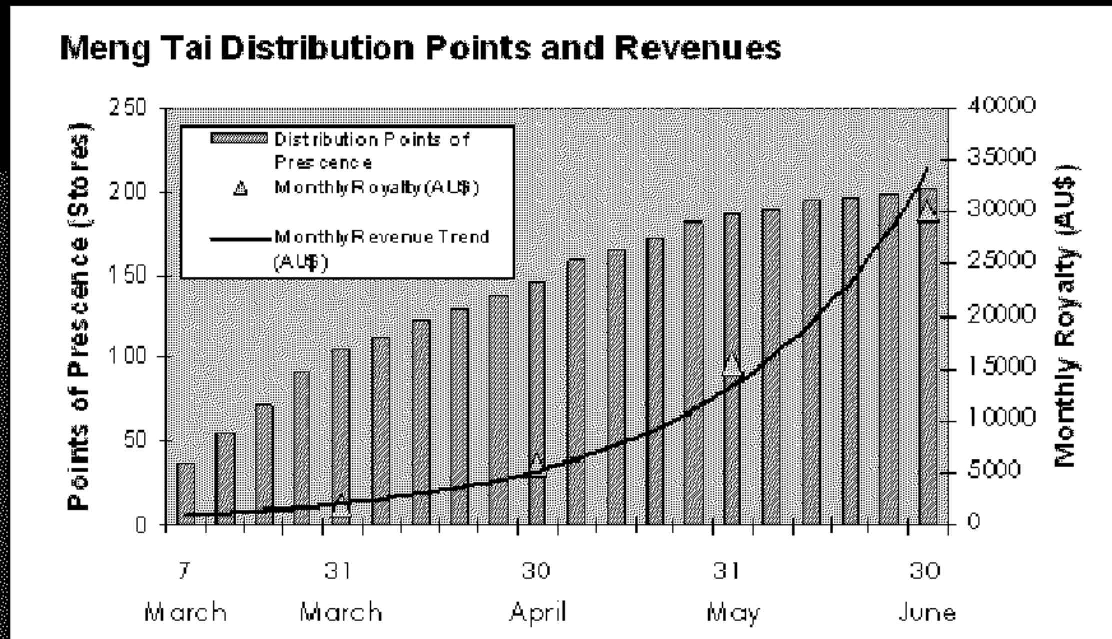


Meng Tai Milk – Positioned for Growth

- Successfully reached maximum sales in test market
- Successfully lobbied via CDPO for increased Raw Milk access
- Proven distribution via supermarkets, wholesale and agent channels
- Agreement for national distribution via NAN completed
- Agreement for Contract Processing in Tianjin finalised
- Agreement reached for national distribution via non-grocery channel
- Implementation of plans for entry to Beijing, Shanghai and Shenzhen
- Commercialisation well advanced for new product extensions into Niche Vertical Markets with major announcements planned early 2005

Meng Tai Milk

Meng Tai Launch Results



Meng Tai
- Doubling of Montec's monthly enterprise revenues
- High growth in revenue / store ratio
- High repeat consumption + word of mouth marketing

AC Nielsen Trials
- Strong preference for Montec product and brand
- Appreciation of health benefits
- Price premium

Objectives

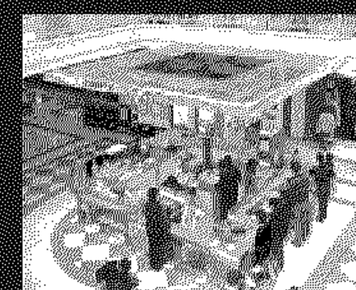
5 Core Objectives : 2005 to 2006

1. Expanding Sales Growth & Market Share in China
- National Agency Network and CDPO
- Beijing, Shanghai and National Sales

2. Expansion Within Asia - Pacific
- Japan, Singapore, Taiwan, Thailand
- When China operations firmly established

3. Expansion of Market Share within Australia
- Expansion to state markets outside of NSW

4. Product Extensions (Healthy Dairy Cabinet)
- 4 to 6 Product extensions on sales during 2005
- 14 Product extensions by 2008



5. Non-Grocery Distribution Channels
- Fast food, franchises
- Annuity cash flows, enterprise growth, cross promotion

National Agency Network

- NAN:
  - Leading distribution channel to China's retail sector.
  - Distribution, marketing, promotion, retail shelf space, warehousing, inventory, financing trading stock.

- Key participant: in China's food retail sector, more than 90 retail chains and more than 8,000 chain stores

- Indicative Terms: minimum of 1 million litres of mono-premix based milk per month, rising to 3 million litres per month within 12 months

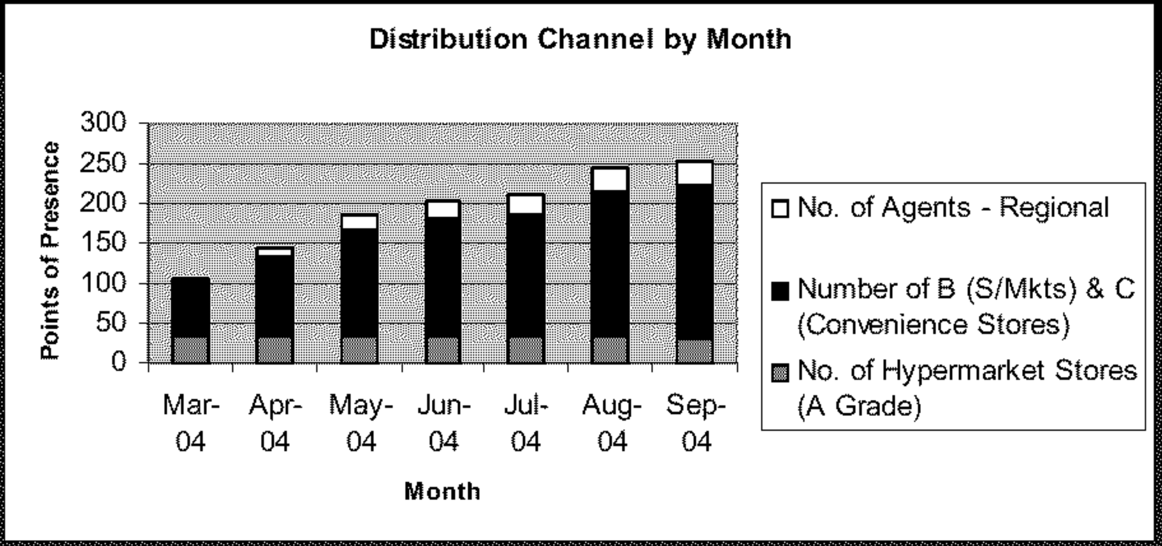
- Revenue: Rate of 17.7 c / litre

- Montec to commit: $2.8 million for year 1 to the launch and marketing of Meng Tai milk in Beijing, Shanghai and regional cities. Agent channel to continue promotional activities in stores, sales, marketing and merchandising activities over subsequent twelve month period.

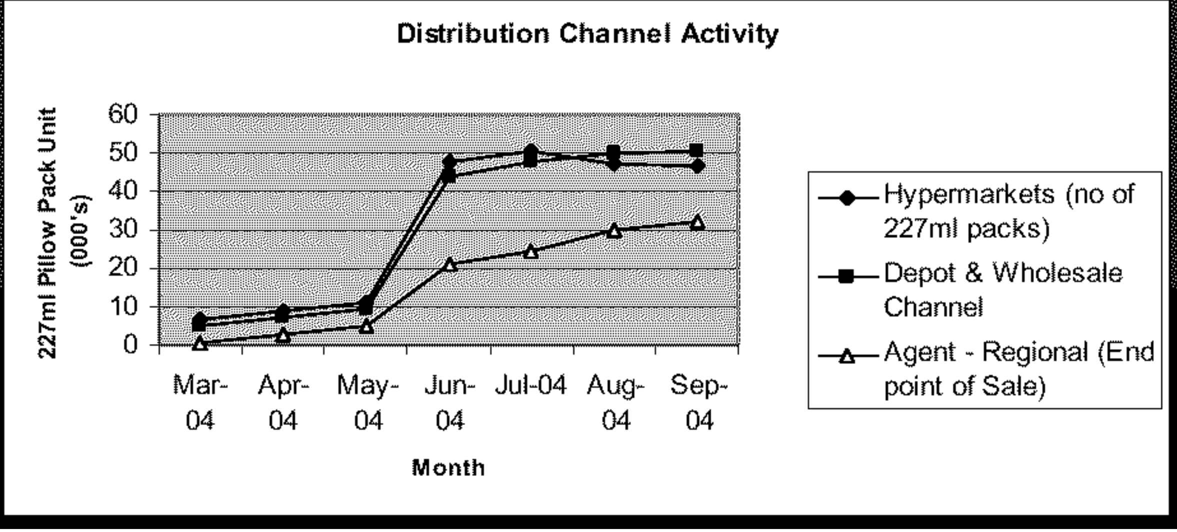
NAN

National Agency Network

- NAN:
  - This Leading distribution channel quickly overhauls alternative entry.
  - The agents are dynamic as they see the trends first and capitalise on them.



The quantity of Meng Tai milk distributed via Hypermarkets and the depot/wholesale channel is consistent notwithstanding the variation in the number of points of presence pertaining to each as presented in the chart above



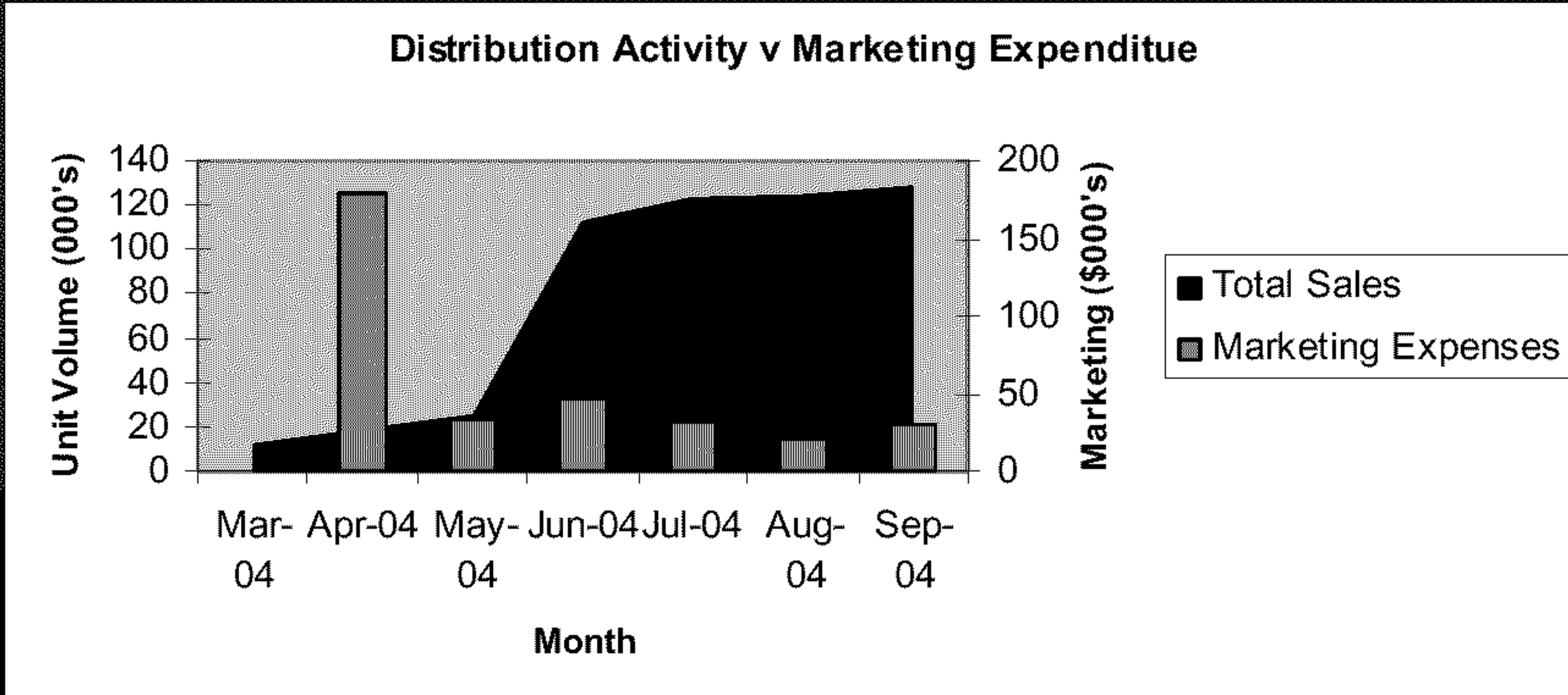
Supermarkets have simply accepted this market intelligence and have come to rely upon it as to what should be stocked and at what level.

NAN

National Agency Network

The marketing spend on Meng Tai sales activity has a higher upfront marketing cost which is then followed by delayed growth in sales. This is due to the requirement to book and pay for marketing / advertising costs ahead of delivery as seen by the actual sales results below.

The initial investment into marketing is essential in order to establish the sales volume that not only underpins the required performance via revenues but actually provides the information for management of required marketing expense.



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Questions

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